BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

NOVEMBER 1956

Erle Cocke,
American Banking Chief
(See pages 3 and 42)

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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INVESTMENTS

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Just a Minute

"Read All About It" . . . in December

As so often happens, the convention of the American Bankers Association came too late for coverage in the issue of BANKING immediately following it.

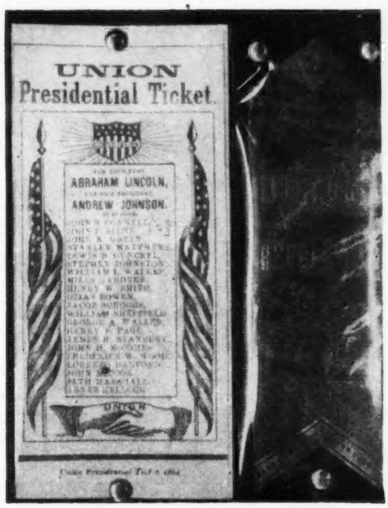
But next month—December, that is—we'll report the big 82nd annual meeting in Los Angeles, where Erle Cocke, vice-chairman of the board and chairman of the executive committee, Fulton National Bank, Atlanta, was elected president.

A sketch of Mr. Cocke—man of achievement in and out of banking—starts on page 42 of this magazine.

Recruitment for Banking

Reprints of our September special section, "Opportunity *Lives* in Banking," are now available at a nominal charge. We offer them because of the enthusiastic reception given this roundup of the educational facilities available to bank people through the formal schools and the many training courses offered those who work in banks.

Here's an angle of the banking business that should appeal strongly to those "above the average" young people who are still in search of careers. And our feeling is—it's shared by numerous banks—that

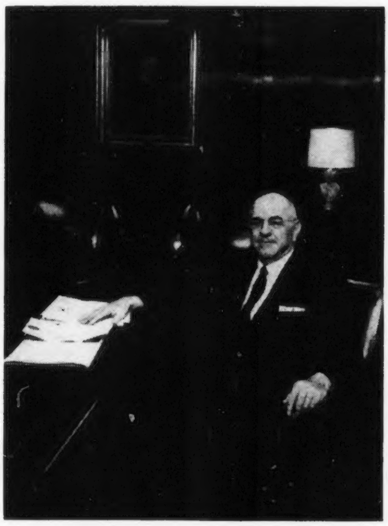


In a display of old political campaign emblems at Bankers Trust Company, New York, is this Lincoln-Johnson ribbon plugging the Union Presidential ticket of 1864. The Lincoln slogan, you remember, was "Don't switch horses in mid-stream"

"Opportunity *Lives* in Banking" is a package that can be used advantageously by banks in their contacts,

THIS MONTH'S COVER

"Meet President Cocke" is not only the title of the article on page 42 but the theme of our cover, as well, for in this month's cover photograph we show the American Bankers Association's new chief officer—Erle Cocke, vice-chairman of the board and chairman of the executive committee, Fulton National Bank, Atlanta, Ga.



BANKING
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not only with "prospects" directly but with the business schools where the foundations for dynamic jobs in banking are being laid.

We were pleased to hear that the Virginia Bankers Association gave copies of the September issue to college and university students attending its annual bankers' school on scholarships it provided.

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"Permanent Reference Value"

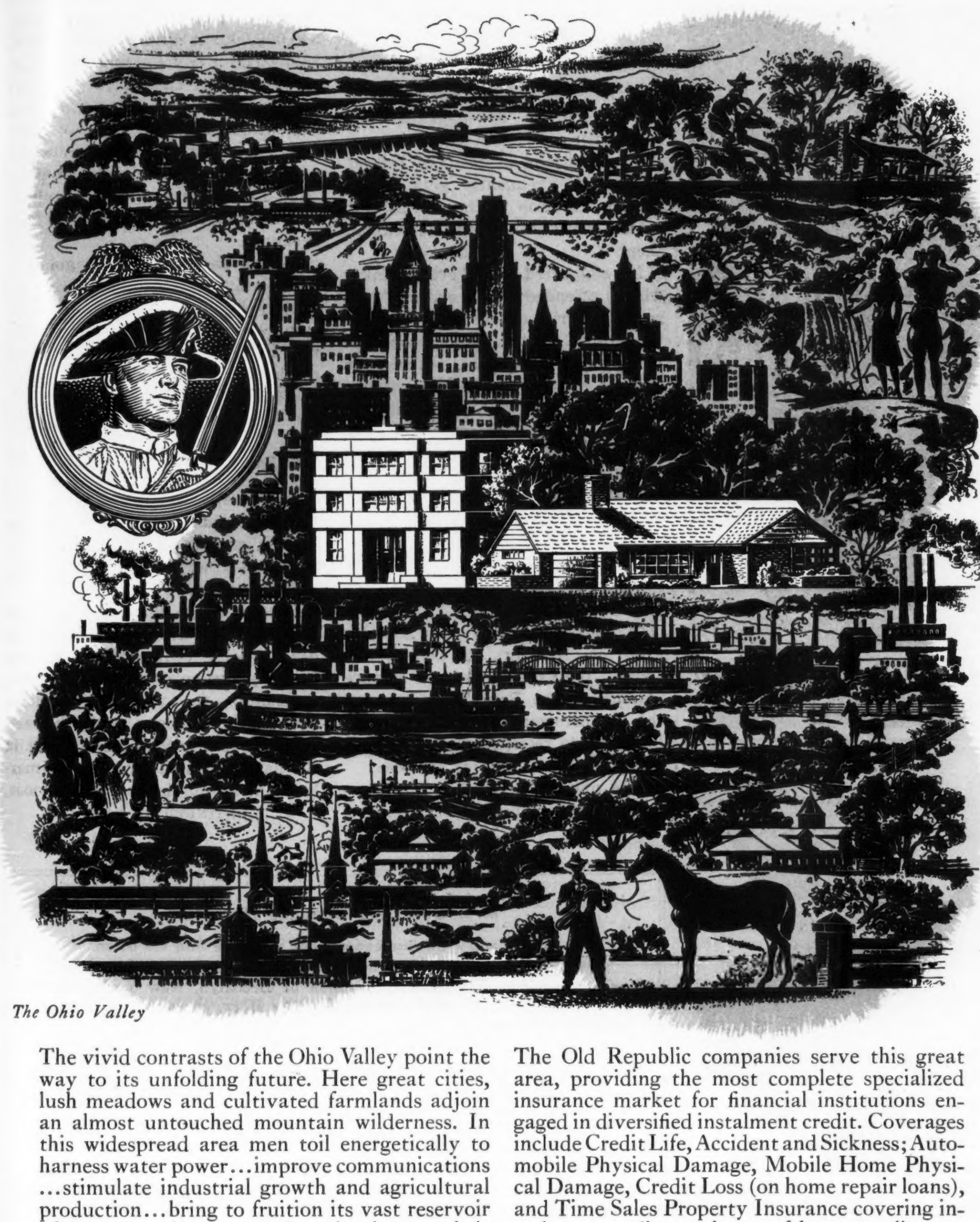
STILL talking about ourselves (other publications do that too, you know), we recently received a most pleasant letter.

Commercial National Bank of Peoria, Ill., furnishes each of the local high schools and business schools, and Bradley University as well, with a subscription to BANKING. The bank's vice-president, George M. Wasem, relayed a note from Robert M. Lightfoot, Jr., director of the Bradley library, thanking Commercial for a renewal.

"BANKING is probably the most useful of the periodicals we receive as gifts," wrote Mr. Lightfoot, "and ranks high on our total list of periodicals from any source. You might be interested to know that it is one of the magazines that we bind, and thereby becomes a work of permanent reference value."

(CONTINUED ON PAGE 6)

"The moon a satellite? You mean it belongs to Russia?"


The Ohio Valley

(CONTINUED FROM PAGE 4)

"Banks" That Aren't Banks

BANKERS are often disturbed by the inaccuracy of magazine and newspaper references to other financial institutions as "banks." Indeed, the A.B.A. frequently gets letters calling attention to these slips, and asking that something be done about them.

It's suggested that if every banker who is offended by an error of this sort will write a courteous letter to the editor of the publication, the press will eventually realize it's making a mistake when a savings and loan association is called a "bank." Newspapers and magazines, remember, are vitally interested in the reactions of their readers to published material; in fact, their interest in accuracy probably exceeds that of the protesting reader.

Du Pont and Banks

THE employee magazine of E. I. Du Pont de Nemours & Co., *Better Living,* publishes a 4-page feature "Money in the Bank," emphasizing the "transformation of the banking business" in recent years, and pointing up the less familiar services.

One page is devoted to the company's own banking practice. Its monthly payroll is more than $40,000,000; it spends $3,000,000 to $5,000,000 a day for materials; and its deposits of customers' payments for Du Pont products range to $15,000,000 daily.

A photograph shows a collection of representative annual reports from 195 banks in 129 communities, which handle some 500 Du Pont accounts.

Noting that banks "are going to great lengths to be helpful" and are rapidly becoming "financial department stores," the article says that the bank, "along with the supermarket and the shopping center, has become a well-known fixture on the American scene."

The Fed's Nerve Center

THE Federal Reserve Bank of New York has published a new 105-page booklet explaining its operations in the money and Government securities markets.

Detailing for the first time the activities of the bank's "trading desk"—nerve center of the Federal Reserve System's operations in Governments — the pamphlet explains the bank's relations with the network of institutions functioning in the national short-term money market. The author is Robert V. Roosa,

(CONTINUED ON PAGE 10)

Mrs. Goldstein Changes Her Mind

IT's an old, old story, but somehow it can never be told too often.

Mrs. Rose Goldstein, 70, who peddles shoelaces under the elevated railroad in the Williamsburgh section of Brooklyn, New York, either didn't like banks or didn't trust them. The story, of course, is in what made her change her mind.

Twice in two weeks Mrs. Goldstein had reported to the police that her ground-floor rooms had been burglarized. The first time somebody took the $800 proceeds of an automobile accident insurance payment; on the second occasion the loot was $200.

The cops, of course, were sympathetic with Rose Goldstein; they, too, were so familiar with the story.

"Have you any more money at home?" they asked her. Yes. Well, why didn't she put it in a bank? Oh, long, long ago she'd lost $1,000 of savings when a bank closed. After that . . .

But the cops were persuasive. From a cardboard trunk and a mattress in her two-room flat she extracted $4,978.98 in cash—mostly one-dollar bills—and went with the officers to the Lincoln Savings Bank of Brooklyn, where on March 28, 1939, she had deposited $319.23. Interest had increased it to $459.27.

Assistant Vice-president Thomas J. Kelly assigned five tellers to count the new deposit. A couple of hours later back came Mrs. G. with a bag containing $1,159 more.

Now it's all earning 3% and Mrs. Goldstein won't be bringing her financial troubles to the cops.

BY TELEPHONE CABLES

New underseas telephone system provides stormproof service between this country and Great Britain and the continent

The new transatlantic telephone system is a historic forward step in world communications.

For years you have been able to call across the Atlantic over the Bell System's radiotelephone circuits. Now an entirely new service has been added. It's over stormproof telephone cables.

By means of these cables, you can pick up the telephone anywhere in the United States and talk to Great Britain, France, Belgium, Holland, Switzerland, Denmark, Norway, Sweden and Germany as clearly as you call across town. And anyone in those countries can call you, too.

More service is available because the new cables are in addition to the Bell System's radiotelephone circuits.

So if you have been accustomed to telephoning across the Atlantic for business or for other reasons, we know that you will be pleased with this marvelous new service.

If you have never made an overseas call, we invite you to share a new and satisfying experience.

There's something quite memorable and reassuring about telephoning across the seas. And in telephoning home when you are abroad yourself.

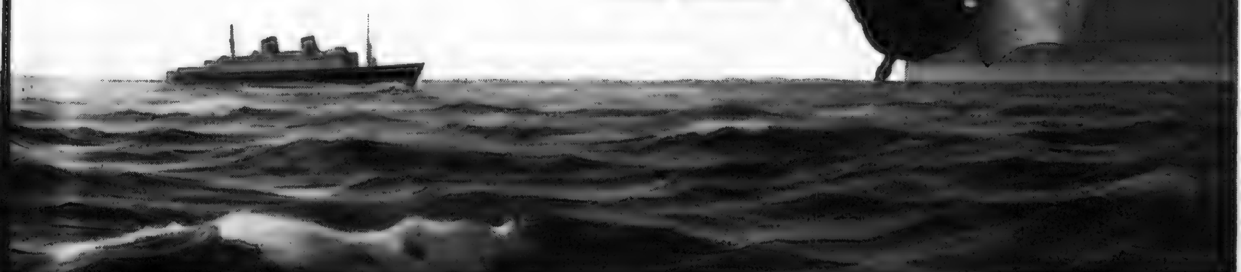
It's easy to do—just tell the operator the country you want to call—and the cost is lower than most people think.

For $12 plus tax you can call across the Atlantic over the new cables or by radiotelephone.

IT'S EASY TO KEEP IN TOUCH WITH THOSE ABROAD. The daytime rate for the first three minutes from anywhere in the United States is $12, not including the 10% federal excise tax.... This applies not only to the nine countries listed above but to the 19 other countries in Europe reached by Bell System radiotelephone circuits.... In most cases the rate is even lower at night and on Sunday.... Practically all other countries throughout the world can also be reached by radiotelephone.

Bell Telephone System

"Hello America"



(CONTINUED FROM PAGE 6)

assistant vice-president of the New York bank.

Credit policy formation is not discussed nor is its effectiveness explained. The publication is intended solely to meet requests for information on the mechanics of implementing policy. Describing the role of the money market and its instruments, trading procedures in the Government securities market and its relations with other markets, the text tells what the trading desk does, discusses the use of projections in estimating future developments, and the value of a "feel" of the market in making operating decisions. Trading methods are described.

Copies of "Federal Reserve Operations in the Money and Government Securities Market" can be obtained free from the Publications Division, Federal Reserve Bank of New York, New York City 45.

Bank Financial Statements

A CERTIFIED public accountant's appraisal of bank financial statement presentation and accounting principles led to his suggestion that banking and accounting associations, with the supervisory authorities, form a group to "reconcile the differences" in practices.

Stanley E. Shirk, partner in Peat, Marwick, Mitchell & Co., of New York, suggested that this group be asked to develop model bank financial statements and one set of accounting principles which are generally acceptable.

"Perhaps the thought is Utopian, but it certainly is worth a try," he told the Washington convention of the National Association of Bank Auditors and Comptrollers. "There is a big job to be done. We must narrow the range of present practices on a particular subject and develop one set of sound and acceptable principles of presentation and accounting, because in a broad sense there can only be one such set. Let us strive for more fact and less fiction."

Mr. Shirk discussed in detail bank financial statement presentation and accounting principles. Uniformity is important, he said, because "management and others need to measure the results of performance, earnings potential, and financial condition with those of other banks of the same size and type in the area."

The Will Rogers Touch

FROM Claremore, Okla., once the home base of Will Rogers, comes news of a bank advertising program that savors of WR.

The copy man is Bryan W. Blocker, executive vice-president of Rogers County Bank, who does a weekly ad-letter for the town's newspaper

(CONTINUED ON PAGE 12)

As its "Register and Vote" contribution the Dover office of the Farmers Bank of the State of Delaware arranged this lobby display

During a Shrine convention in Memphis, Shriners startled First National Bank folks by riding their motor scooters into the lobby and operating departments—even into the elevators

(CONTINUED FROM PAGE 10)

Claremore Progress. He just writes about what happened: a brick that fell on the cashier's head during a remodeling of the bank; a 'possum sitting in front of the vault; the quart of whiskey found in the walls of the old building.

The idea came to Banker Blocker about a year ago when the bank began to fix up its old home. He figured a progress report would make a hit with the home folks, so the column started. Its ingredients included not only news of the bank job but items of local interest—humorous, mostly. Author Blocker thought the series would cease when the remodeling was finished. By popular demand it didn't—and right now he's discussing bank services and the civic work done by employees.

Here are a few excerpts from earlier ads:

"There has been a lot of talk about alphabetical soup in Washington, D. C. But bankers have been wallowing in the alphabet for years. Here's what some of their abbreviations mean. . . ." The list included: "INSF: Insufficient Funds. (That is a naughty one.) I: Interest. (Bankers love it.) "RCB: Rogers County Bank. (That's us.) "Customer: A valuable asset—too important to abbreviate."

One ad made this offer: "We will let you open and close our new electrically operated door." People are still coming in on that one, Mr. Blocker reports.

"I just write about what happens. If a brick falls on Cashier Nichols' head during the remodeling, I tell about it. Some people might think this is too much publicity for a brick. But it drums up trade. People come into the bank and want to see the brick that had sense enough to pick another good brick to land on."

J. L. C.

Nothing grows faster than a fish from the time he bites until he gets away.

The ideal combination in traffic is to have horse-sense in the car equal to the horse-power under the hood.

You have to do your own growing up no matter how tall your grandpa was.

There is nothing busier than an idle rumor.

If you don't read any books, you have no advantage over the man who can't read.

A mistake is at least evidence that someone tried to do something.

CHRISTMAS at the Bank

A Sampling of Festivities People Like

In November you plan for Christmas. Maybe your bank's way of celebrating will be the same this year as last; maybe "something different" is in order. A few ideas offered on these pages are from our files of what happened in banks in 1955. Some of the festivities are perennials.

The staff of Bankers Trust Company, New York, sends more than 4,000 gifts to the city's underprivileged children and to veterans hospitals. The display is shown to the public at the Wall Street main office before Christmas

Kids Call Santa, Courtesy of the Bank

A PLAY by play account of Santa's trip from the North Pole was broadcast last year by the First National Bank of Arizona, Phoenix. Results must have amazed the jolly old gentleman.

A couple of months before Christmas the bank started a series of 5-minute programs for kids over KRUX. Santa's many adventures and misadventures as he progressed Phoenix-ward were realistically recounted—delays caused by Blitzen's illness, a broken sleigh runner, unexpected weather hazards.

The climax of each program was the announcement that when Santa finally arrived the children could talk to him by phone, courtesy of the bank. An automatic answering device was installed at the home of a station official.

Of course the calls started long before Santa's arrival. The exchange handling them got so jammed that

One of three window crosses on the Republic National Bank of Dallas during the 1955 Christmas season. It was 200 feet long and 120 feet wide

At the Boatman's National Bank of St. Louis students from the School of Fine Arts, Washington University, helped Vice-chairman Harold T. Jolley, *second from left*, pick winners of the employees doll-dressing contest at the bank. The dolls were displayed in the windows, then distributed among charities for distribution

nobody else could use it, and the phone company had to say, "Merry Christmas to all, but this is going a bit too far." The service was discontinued.

Santa's actual coming was the occasion for a big celebration. But it hardly stirred up more excitement than the ingenious preliminaries.

Annual Christmas party for Central National Bank of Cleveland staff children

Everybody Gets a Big Red Apple

On December 24 the Pascagoula-Moss Point Bank, Pascagoula, Miss., gives a big red apple to each customer who comes in. The fruit, made ready by the staff at an "apple-polishing" party the day before, is in baskets at each officer's desk, and is distributed with warm greetings and a handshake.

Lobby Haven for "Shoppers' Feet"

As a friendly gesture to busy Santas, the Middletown (Conn.) Savings Bank opened its lobby the evenings the Main Street stores were open for Christmas shopping. No business was transacted; the sole purpose was to provide a convenient place where folks could relax, meet friends and listen to recorded music —"The Messiah," for instance. Members of the staff were hosts and hostesses.

At Banco Continental, Lima, Peru, greeting cards received from banking friends around the world are displayed on a lobby panel

In Memphis, Tenn., the First National Bank's Choral Group presents Christmas programs at the main office and the Crosstown branch. Visitors get souvenir carol booklets. The Group's picture, in color, was used on the bank's Christmas card last year. It has made several television appearances

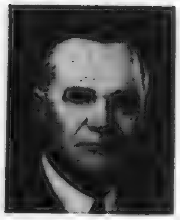
The lounge of The Manhattan Savings Bank's main office on Madison Avenue, New York, is the scene of extensive Christmas festivities. Santa Claus greets the children personally, and he's assisted daily by officers of the bank. There are carols, refreshments, and a display of toys


This ad appears in:
This Week Magazine Section, Sept. 23, and Chicago Tribune Magazine Section Oct. 21

Heard Along

This department is compiled by THEODORE FISCHER *of* BANKING'S *staff.*

Clair T. Harding



Alexander Nagle

James M. Jackson

Don Kirk

Bank Gives $100,000 on 100th Anniversary

FIRST NATIONAL BANK in St. Louis has made a special unrestricted gift of $100,000 to Washington and St. Louis Universities as "the most significant way" the bank could commemorate its 100th anniversary and to celebrate completion of its building and modernization program. The gift came from the bank's charitable trust and is divided equally between the two schools. It is in addition to FIRST NATIONAL'S regular annual contributions to the two universities.

WILLIAM A. McDONNELL, the bank's president; said the gift was decided upon after considering "the sources of our strength and prosperity as a commercial institution."

DILLON ANDERSON, until recently Special Assistant to President Eisenhower on National Security Affairs, has been elected to the advisory board of Texas National Bank of Houston.

CLAIR T. HARDING has been named president of Security National Bank of Reno, Nev. He succeeds WILLIAM H. JENSEN, who recently announced his resignation and who is convalescing at home following an illness. MR. HARDING was formerly vice-president. At the same time, the bank announced the election of MARVIN B. HUMPHREY as vice-president.

ALEXANDER C. NAGLE retired October 1 as chairman of the executive committee of The First National City Bank of New York, but continues as a director. He was formerly president of the First National Bank of the City of New York, and became chairman of the executive committee at the merger of First National with National City.

At the opening of Trenton (N. J.) Trust Company's new branch office in the Pennsylvania Railroad station in Trenton, *from left*, Mayor Donal J. Connolly; Charles R. Howell, N. J. Commissioner of Banking and Insurance; Mary G. Roebling, president and chairman of Trenton Trust Co.; depositor-commuter Paul Whiteman; depositor-commuter and radio star Stella Dallas; James L. Cranwell, vice-president of Pennsylvania Railroad; Allan W. Bowers, senior vice-president of the bank. The commuters branch is open every banking day from 7 A.M. to 7 P.M. with a double staff headed by Leon H. Hill, assistant secretary-treasurer

JAMES M. JACKSON has been appointed assistant general manager of the Bank of Montreal and will continue in charge of the main office in Montreal.

DON KIRK, of the First City National Bank in Houston, recently received three A.I.B. certificates on the same night. He was presented his Pre-Standard, Standard, and Graduate certificates at Houston Chapter's annual banquet. MR. KIRK was honor student in two of his classes and won honorable mention in three others.

ALAMO NATIONAL BANK, San Antonio, Texas, is installing a 65-foot weather tower atop its 23-story building.

"from Marble Cocoon"

THE BERGEN COUNTY (N. J.) BANKERS ASSOCIATION has formed a speakers bureau which will furnish an orator for any service or civic club in the county. In making the announcement, the association said that "the days of the tight-lipped banker are gone forever."

The participating bankers stand ready to speak on any of nine different banking subjects, which led a newspaper to editorialize that "the emergence of the Bergen County banker from his marble cocoon has been an interesting and pleasant transition." And further, "these days your banker not only wants you to know his business; he'll come himself and tell you about it. Quite a switch, and a highly commendable one!"

Main Street

Wm. F. Coleman

Thomas McMahon

WILLIAM F. COLEMAN and THOMAS W. MCMAHON, JR., have been appointed vice-presidents in the metropolitan department of the Chase Manhattan Bank, New York.

Colt Reelected

S. SLOAN COLT, board chairman of Bankers Trust Company, was reelected president of the New York Clearing House Association.

HOWARD C. SHEPERD, chairman of the board of First National City Bank, was elected chairman of the Clearing House Committee, succeeding JOHN C. TRAPHAGEN, chairman, The Bank of New York. RAYMOND C. DEERING, senior vice-president, Manufacturers Trust Company, was elected secretary.

The motor bank of UNITED STATES NATIONAL BANK, Portland, Oreg., which opened on April 2, served its 50,000th customer early in September.

FIRST TRUST & DEPOSIT COMPANY, Syracuse, N. Y., has opened a downtown drive-in office.

Prochnow Resigns State Dept. Post

HERBERT V. PROCHNOW, vice-president of the First National Bank of Chicago, has resigned as Deputy Under Secretary of State, effective November 15.

President Eisenhower accepted the resignation with "deep regret" and said that MR. PROCHNOW had carried out his assignment in the State Department "with a genuine sense of dedication and with unusual ability and purpose."

MR. PROCHNOW became Deputy Under Secretary of State for Economic Affairs on October 4, 1955.

MISS VERLIE FORSYTH, secretary to ALWEN NEUHARTH, executive vice-president of the First National Bank in Fort Lauderdale, Fla., is a lady of rather unusual outside interests and background. She's an airplane pilot, has been a fashion designer, a movie extra, is the author of one book and has a second on the way. She edits the bank's staff publication and is public relations chairman of her A.I.B. chapter.

PAUL R. ALEXANDER, manager of the St. Helena (Calif.) branch of Bank of America, was appointed a vice-president.

Get NABAC Keys

HENRY G. DIEFENBACH, vice-president and comptroller of the United States Trust Company of New York, and JAMES J. CAMBRIDGE, JR., general auditor of Crocker-Anglo National Bank, San Francisco, have received NABAC keys for meritorious service. The presentations were made at the recent annual convention in Washington, D. C., of the National Association of Bank Auditors and Comptrollers.

Congressman Hugh Scott, *front left*, presents U. S. Congress Franklin Commemorative Medal to William F. Kelly, president, The First Pennsylvania Banking and Trust Co., only bank to receive special award issued in honor of Benjamin Franklin's 250th anniversary—it's the bank's 175th anniversary. *Back row*, Dr. Gaylord P. Harnwell, president, University of Pennsylvania; William B. Walker, executive vice-president of the bank; and William L. Day, chairman. The bank then announced creation of a $100,000 educational fund as its present to the area

MR. DIEFENBACH has been active in NABAC for more than 15 years. MR. CAMBRIDGE has been his bank's official NABAC representative since 1927, longer than any other member.

ROMEYN N. HOLDRIDGE was elected president of the Chelsea Savings Bank, Norwich, Conn., succeeding AURIN E. PAYSON, who retired as

Yes, this is a bank, the new office of Indiana National Bank of Indianapolis. It features a community room with an all-electric kitchen

president and was named chairman of the board. LEONARD E. ROYCE advanced to vice-president and secretary.

CONGRESSMAN OLIVER PAYNE BOLTON is the third member of his family to become a director of The Cleveland Trust Company. Both his late father and his late uncle had served on the bank's board.

LEONARD T. TREMBLAY, manager of the Athenia office, Clifton, N. J., of the Passaic-Clifton National Bank and Trust Company, has been named vice-president.

P. D. Houston

P. D. HOUSTON, SR., 82, who had served as both president and treasurer of the American Bankers Association, died of a heart attack on Saturday evening, September 15. He was in the living room of his Nashville apartment with his wife when the attack came.

MR. HOUSTON had been in banking for more than 63 years. He had been president, then chairman of the board, of the First American National Bank of Nashville. And he had served two terms as a member of the Federal Advisory Council to the Board of Governors of the Federal Reserve System.

He was elected treasurer of the American Bankers Association in 1931, became A.B.A. president in 1940, one of the very few bankers ever to be honored by election to both positions.

One of MR. HOUSTON's principal interests outside of banking was his

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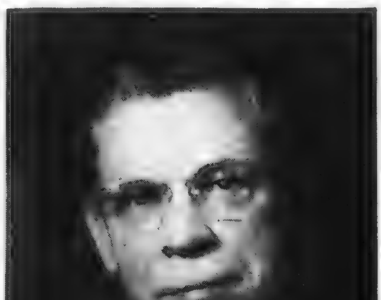
P. D. Houston




enjoy unparalleled
EASE OF OPERATION
on the world's fastest electric
Smith-Corona's exclusive "Keyboard Slope" slants the keys to fit the natural movements of your fingers. That, plus the fact that there are more operating controls in the keyboard area than on any other electric, makes the Smith-Corona the easiest, fastest electric ever devised. It also has the quietest operation of any electric. Why not see and try it for yourself? You can arrange an eye-opening ten minute demonstration in your own office by calling your local Smith-Corona representative.
Smith-Corona

Jack Pearce

Zack Gilliland

MAIN STREET (Continued)

model farm, the 884-acre Houston Hall Farm, which boasts one of the finest herds of Black Angus cattle in this country.

MR. HOUSTON is survived by his wife, the former Margaret Louise Robinson, whom he married in 1894. A son, P. D. Houston, Jr., is a vice-president of First American National Bank. Surviving also are a sister, Mrs. E. E. Murrey of Nashville, and two brothers, both dentists, Dr. James Franklin Houston of Rio de Janeiro and Dr. David P. Houston of Chattanooga.

In opening ceremonies of the new HURST STATE BANK, newest banking facility in Fort Worth, Texas, the bank's charter was brought in by helicopter. There were two big cakes, one iced to look like a deposit slip and the other like a blank check. Officers of the new bank are: STUART LYDICK, chairman; ZACK GILLILAND, president; JACK PEARCE, vice-president and cashier; and RICHARD TAYLOR, assistant cashier.

Recent promotions at The Ridgedale Bank & Trust Co., Chattanooga, Tenn., are as follows: J. M. HORTON, honorary chairman; Z. C. PATTEN, chairman; W. G. SMITH, president; IRA J. SMOTHERMAN, executive vice-president; LOUIS J. WILLIAMS, vice-president; JAMES L. STANLEY, assistant vice-president; J. ARNOLD DIXON, cashier; MRS. W. G. SMITH, assistant cashier.

GERARD F. BRILL, vice-president of Trust Company of New Jersey, Jersey City, has been named to head the business development and public relations divisions, succeeding the late ARTHUR M. MUELLER. MR. BRILL was a member of the 3-man commission that founded the New Jersey Bankers Association's School of Public Relations, and is a graduate of The Graduate School of Banking.

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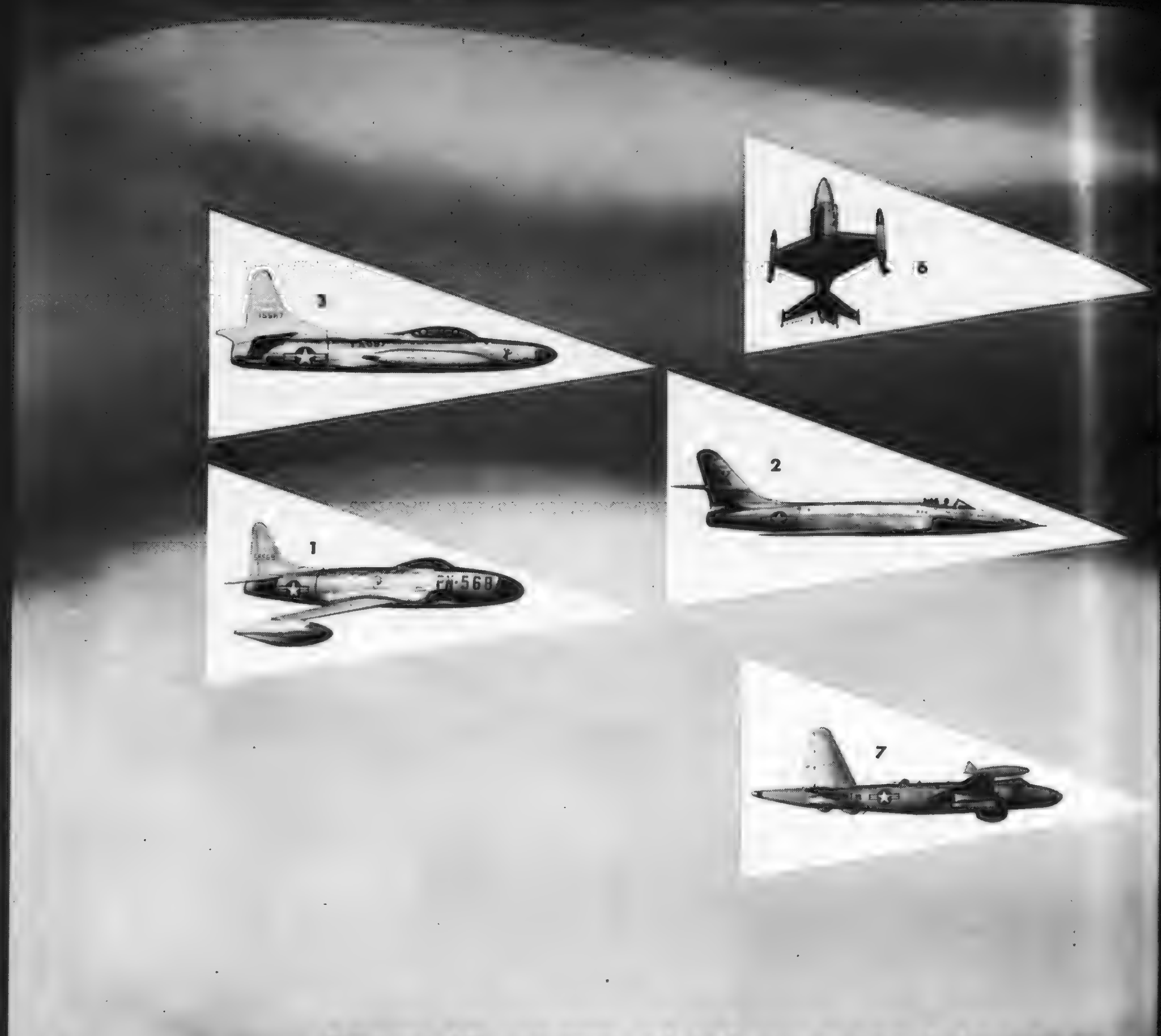


From 15 years of jet-powered leadership comes America's first propjet airliner–

LOCKHEED E

The LOCKHEED ELECTRA's *heritage of jet-powered leadership—gained from the design and manufacture of over 8,000 jet-powered aircraft of the widely varying types shown here—endows this pace-setting plane-of-tomorrow with qualities that will give you a thrilling, new way to travel in the jet air age.*

Sleek aerodynamic beauty, time-tested structural stamina, unique high-performance capabilities and exceptional economy of operation and maintenance are but a few of the LOCKHEED ELECTRA's points of superiority. Its mighty Allison propjet engines, combining jet thrust with proven propeller dependability, enable it to whisk passengers into and out of existing air terminals which now handle nearly 98% of total U. S. air passenger traffic.

The new LOCKHEED ELECTRA's high speed, swift climbing ability and king-size fuel reserves insure greater schedule regularity and reliability—because the ELECTRA can depart on time and fly, undaunted, above or around bad weather. And its spacious cabin-compartments are so restfully quiet, so vibration-free and comfortable, you'll be amazed to discover you're traveling at 7-mile-a-minute speeds.

Unexcelled for short-to-medium range flights, the LOCKHEED ELECTRA brings the advantages of jet age air travel to all of the people, of all cities, everywhere—with commuter-like timetables affording travelers a wide choice of flights.

Now in production, the LOCKHEED ELECTRA starting in 1959 will go into service for American, Braniff, Eastern, KLM-Royal Dutch, National, Western and other leading domestic and foreign airlines—extending Lockheed's jet-powered leadership around the world.

ELECTRA

JET L-1000 Turbojet Engine, designed and built by Lockheed in 1941 . . . incorporated many years-ahead features now widely used in present-day jet engines.

1. JET F-80 Shooting Star, first U. S. production jet fighter; first to exceed 500 mph on everyday Air Force duty, providing near-sonic flight experience.

2. JET F-90 Penetration Fighter, first U. S. aircraft to dive through sound barrier routinely—proving supersonic flight not awesome as pilots then thought.

3. JET F-94 Starfire, first of the almost-automatic all-weather jet interceptors—pioneered application of modern electronic equipment in jet aircraft.

4. JET T-33/TV-2 Trainer—world's first successful jet trainer, which gave America its vitally needed backlog of military jet pilots in record-breaking time.

5. PROPJET R7V-2/C-121F Super Constellation—world's fastest propeller-driven transport developing valuable new data for U. S. on high-speed prop-flight.

6. PROPJET XFV-1 Vertical Takeoff Fighter with 2 jet turbine engines and contrarotating props—expedited valuable VTO flight research/development.

7. JET-ASSISTED P2V-7 Neptune—7th in a hardy line of far-ranging U. S. Navy patrol planes, equipped with jet pods to increase attack and evasion capabilities.

8. JET T2V-1 SeaStar Trainer—"World's Safest," first production plane utilizing Boundary Layer Control for slow, safe landings and takeoffs on USN carriers.

9. PROPJET C-130 Hercules—the versatile new go-anywhere, haul-anything "strongman" of the USAF that led America into a new era of swift, low-cost movement of heavy cargo.

10. JET F-104 Starfighter—World's Fastest Jet Fighter . . . "America's Missile With a Man in It," capable of overtaking and destroying any aircraft.

11. RAMJET X-7 Missile, designed and built by Lockheed's Missile Systems Division, is one of a family of supersonic vehicles testing and developing air-breathing ramjet engines.

LOCKHEED AIRCRAFT CORPORATION

CALIFORNIA DIVISION, *Burbank, California* • GEORGIA DIVISION, *Marietta, Georgia* • MISSILE SYSTEMS DIVISION, *Van Nuys, Palo Alto and Sunnyvale, California* • LOCKHEED AIR TERMINAL, *Burbank and Palmdale, California* • LOCKHEED AIRCRAFT SERVICE, *Ontario, California*


William R. Kennedy


Frederick Marriner

MAIN STREET (Continued)

FREDERICK W. MARRINER advanced to senior vice-president and WILLIAM R. KENNEDY to executive vice-president at the Union Market National Bank, Watertown, Mass. Both are graduates of The Graduate School of Banking.

HARRIS ASHTON DUNN, vice-chairman of the board of the Bowery Savings Bank, has been appointed general chairman of the 1957 New York March of Dimes campaign.

W. J. WOODWARD has been elected president of the Reagan State Bank of Houston, succeeding the late NEAL BUTLER. W. S. PEBWORTH, JR., was elected executive vice-president to succeed MR. WOODWARD.

F. MILES FLINT was named vice-president and senior trust officer of Citizens National Trust & Savings Bank of Los Angeles.

SECURITY-FIRST NATIONAL BANK of Los Angeles and THE FARMERS AND MERCHANTS NATIONAL BANK of Los Angeles merged on September 28. The office of Farmers and Merchants becomes Security - First's 148th office, and the combined institution has total resources of approximately $2.5-billion.

EDMUND J. TUETY has retired as vice-president and secretary of the Lincoln Rochester Trust Company, Rochester, N. Y. LUKE T. SMITH, vice-president, was elected to the additional office of secretary.

RALPH S. WIEGAND was promoted to vice-president at First Trust & Deposit Company, Syracuse, N. Y.

EARLE O. LATHAM was appointed first vice-president of the Federal Reserve Bank of Boston. He succeeds ALFRED C. NEAL, who resigned to become president of the Commit-

(CONTINUED ON PAGE 28)

MAIN STREET (Continued)

tee for Economic Development, New York City. MR. LATHAM, who joined the Boston Fed in 1926, is a graduate of The Graduate School of Banking.

JOSEPH C. LIPMAN was elevated to vice-chairman of the board of Union Bank & Trust Company of Los Angeles. In September, MR. LIPMAN celebrated his 51st year in banking. HAL W. CROSS was named executive vice-president; ROBERT E. GETZ, senior vice-president; and WILLIAM W. BLAKELY, assistant vice-president.

The FIRST NATIONAL BANK of Atlanta, Ga., announced its longest promotion list in more than two years: three assistant vice-presidents, eight assistant cashiers, and an additional assistant controller.

$2-million Program

FIRST NATIONAL BANK at Orlando, Fla., has announced a building program which is to cost more than $2-million. It has acquired property through a 99-year lease at a cost of about $1-billion. It is expected that the new ultramodern bank building will cost in excess of $1-million. When existing buildings on the site have been razed, a drive-in and parking lot will be built. These are so designed as to be integrated later with the complete new building.

J. W. Bates, Sr., points to model of oil tender bearing his name, at exhibit in Tulsa's First National Bank. The bank participated in financing two of the tenders for the Reading and Bates Offshore Drilling Co.

Alexander Adams

John Max Gray

ALEXANDER B. ADAMS was named a vice-president of Mellon National Bank and Trust Company, Pittsburgh. Before joining the bank in 1946, he had been with the London office of the *New York Herald Tribune,* and with the Hartford (Conn) office of United Press.

JOHN MAX GRAY was promoted to vice-president of First National Bank in Dallas.

FIRST NATIONAL BANK, Canton, Ohio, has opened a new, ultra-modern 4-window drive-in branch. A complete Sunday color supplement of *The Canton Repository* was published on this occasion.

CHARLES L. BELL has been named manager of the new West Babylon trailer office of the Security National Bank of Huntington, N. Y.

RMA Elects

J. WALLACE ELY, executive vice-president of Security Trust Company, Rochester, N. Y., was elected president of Robert Morris Associates for the 1956-57, fiscal year. WILLIAM R. CHAPMAN, vice-president and director of Midland National Bank of Minneapolis, was elected first vice-president. FRED E. PIKE, senior vice-president, Walker Bank & Trust Company of Salt Lake City, was elected second vice-president. Directors elected are: NOLAN BROWNING, vice-president, Bank of America, Los Angeles; WILLIAM M. EDENS, assistant comptroller and head of the credit department, Continental Illinois National Bank & Trust Company, Chicago; THOMAS W. HUTCHASON, vice-president, Commerce Trust Company, Kansas City; and SHALER STIDHAM, vice-president, Philadelphia National Bank.

J. BROOKE WILLIS, associate professor of banking at the Graduate School of Business of Columbia Uni-

(CONTINUED ON PAGE 30)


TRAVELING
CREDIT

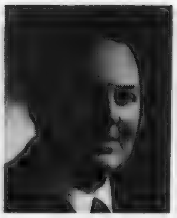
MAIN STREET (Continued)

versity, has been appointed economist of Savings Banks Trust Company, New York.

MARGARET ANNE O'MALLEY, receptionist at City National Bank & Trust Company of Chicago, has celebrated her 50th anniversary in Chicago banking. MISS O'MALLEY started with Royal Trust Company, which was located where the Federal Reserve Bank of Chicago now stands. She moved with Royal Trust through 13 consolidations to the Central Republic Bank & Trust Company, and was with City National when it was organized in 1932.

LOUIS F. DEMPSEY was named assistant manager of the foreign department of the Northern Trust Company, Chicago. He was formerly auditor of the Chase Manhattan Bank's branches in Puerto Rico and Hong Kong.

BANK OF AMERICA has opened a new San Francisco International airport branch. The branch is one of only three banks located at major U. S. airports. There were serious construction problems to be solved because the new building is on filled-in marshland. It was determined that, with ordinary building methods, the heavy vault would settle so much faster than the rest of the building that eventually it might either break away or be in such position that its door couldn't be opened. The vault has been placed on a concrete mat designed for a soil pressure of 444 lbs. per square foot. The mat under the balance of the bank was designed for a pressure of 150 lbs. And air motor powered screw jacks will keep everything level.


O. Paul Decker


Don J. Palmer

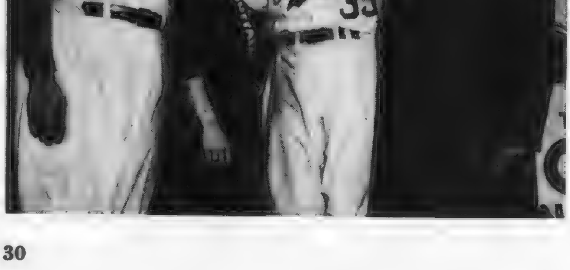

Walter B. Jacobs


Clifford E. Kline

O. PAUL DECKER, for 26 years an officer of the American National Bank and Trust Company of Chicago, has been named president of the National Boulevard Bank of Chicago. HENRY E. LEE, National Boulevard's president since 1949, has been named vice-chairman. HUGH M. DRISCOLL continues as executive vice-president. MR. DECKER has been active in national banking circles, has been a frequent convention speaker, and for a number of years taught at The Graduate School of Banking.

DON J. PALMER has joined The Citizens Savings Bank and Trust Co., Hamilton, Ohio, as a vice-president. He came from the C.I.T. Corporation, New York. Earlier he had been an officer of the Illinois National Bank of Springfield, Ill.

The FORT NECK NATIONAL BANK of Seaford, N. Y., has received approval to establish a branch in North Bellmore, N. Y. It will open soon in temporary quarters pending erection of its own new building which will have a drive-in window and parking facilities.



John W. Hooper, *right*, president of Lincoln Savings Bank of Brooklyn, which sponsors pre-game TV show at Ebbets Field during baseball season, with Happy Felton, m.c. of the show; Peggy Schultz "Miss Buffalo Jaycee," and Sal Maglie, Dodger pitching ace

WALTER B. JACOBS, president of The First National Bank of Shreveport, La., has been elected a member of the Federal Advisory Council representing the Eleventh Federal Reserve District.

CLIFFORD E. KLINE has joined Chatham Bank of Chicago as vice-president in charge of new business and customer relations.

The Penn Center office of the PHILADELPHIA NATIONAL BANK celebrated its first birthday by delivering 4,000 individually wrapped and decorated cup cakes to office workers throughout the entire building.

FIRST NATIONAL BANK of Scotia, N. Y., held a public "preview" of its new office in the Niskayuna section of Schenectady at which it welcomed some 2,800 visitors.

Form Committee on Hungary Debt

A COMMITTEE has been formed to negotiate at the proper time with the Hungarian authorities about the settlement of short-term indebtedness of Hungarian banks to American banks originating and outstanding before World War II. Chairman is ANDREW L. GOMORY, senior vice-president of Manufacturers Trust Company, New York, who is also chairman of the committee on German short-term debts. Other members of the committee are HORACE M. CHADSEY, vice-president, First National Bank of Boston; DONALD E. COYLE, vice-president, The New York Trust Company; HAROLD W. RASMUSSEN, vice-president, Marine Midland Trust Company of New York; RUSSELL L. WARDBURGH, vice-president, Guaranty Trust Company, New York; secretary is ERVING H. ADLER, assistant vice-president, Manufacturers Trust Company. The law firm of White & Case will act as counsel.

(CONTINUED ON PAGE 123)

Knowing how to get things done in New York is a business in itself

BANKING

NOVEMBER 1956

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

The OUTLOOK

and CONDITION OF BUSINESS

MOST business leaders expect new highs in sales, jobs, and earnings for the final quarter of 1956. Skeptics are few and divided between the slow-downers and the speed-uppers. Some think expansion is too much, too soon, too unequally spread, too this or that, and should be reined in. Others think the monetary authorities should give business its head.

On the whole, it could be another record year despite evidence of caution in the security markets and customary confusion in the area of foreign relations.

Fortunately for us and the world, our solemn political referendum is almost over. Both sides have pledged the Government to provide health, prosperity, security, and, in one oratorical instance, even "peace of mind" was added to the list of things to be guaranteed by the Federal Government.

Reasons for Confidence

A quick run-down of the circumstances which account for the optimism of the majority includes the following, in about this order:

Personal income is at an all-time high. In August, for example, the figure based on an annual rate was $328-billion, or about $20-billion above a year ago. Four-fifths of this increase was in wages and salaries.

For the third month in a row, new construction exceeded $4.2-billion in September and achieved the most active third quarter in history. This is at an annual rate of $44.5-billion, compared with an actual total of $43-billion last year.

This record was chalked up despite a lag in residential construction which is holding steady at about 10% under 1955. All other construction is making new highs, including private, industrial, office buildings, schools, roads, sewer and water facilities, and other public works.

Corporate profits after taxes were 9% higher in the first half compared with 1955. Third quarter bank statements have shown improved earnings compared with recent years when they were at rock-bottom because of artificially low interest rates.

Employment reached 66,000,000 at the end of the third quarter, and unemployment was down by 200,000.

Savings continue to rise, although at a slower rate than last year.

Steel production is at full capacity, and practically all basic statistical indicators, including gross national product, point upward.

Even farm exports have been running substantially ahead of last year, and this may turn out to be the best 12 months for agricultural shipments overseas.

Issues of new securities have been going well recently, and this includes both municipals and corporates. In the first nine months almost $9.5-billion in bonds were offered, compared with $8.2-billion in the same period last year.

On the Other Hand

Now for some offsetting factors on the other side, and there are quite a few of these. They include an unusual but understandable display of discretion and hesitancy in both stock and bond markets, inflationary pressures on wages and prices and, of course, the international picture, which could have been painted by someone in a state of shock.

The interest rate matter is the key to the behavior of the investment markets in all sectors. No one knows at this moment what the future holds. To some extent the uncertainties of the election are responsible for the performance of both stocks and bonds, but the problem of yields will continue long after the political decision.

The difference in rates between long- and short-term securities has been narrowing for some time. It need hardly be repeated here that higher yields make for lower prices of outstanding securities. This has been happening and seems likely to continue. The pros and cons have been argued exhaustively. The fiscal and

(CONTINUED ON PAGE 160)

For and Against Consumer Credit Controls

Effectiveness of credit control; safeguarding economic stability; the parallel with stock market credit control; lack of financial sophistication of consumers; adoption of controls on a stand-by basis; prevention of destructive competition; consumer credit was successfully controlled during the war; consumer credit is controlled abroad; availability of statistics to guide regulation

JULES I. BOGEN

DR. BOGEN *is professor of finance, Graduate School of Business Administration, New York University, and is economics adviser of the* Journal of Commerce, *New York City. He is the author and co-author of a number of books and articles on business subjects.*

THE sharp increase of $6.1-billion in outstanding consumer credit during 1955 has given rise to a good deal of sentiment for restoration of direct control over such credit. Congress ended in 1952 the authority of the Board of Governors of the Federal Reserve System to exercise direct control through regulation of consumer credit terms.

Reflecting this sentiment, the Economic Report of the President in January 1956, urged that "consideration should be given to restoring the Government's power to regulate the terms of consumer instalment credit."

Opinion on the desirability of restoring direct control over consumer credit through minimum downpayments and maximum maturities is sharply divided today. A number of arguments have been advanced on each side of the question by economists, bankers, and businessmen.

Arguments for and against restoration of Government regulation of consumer credit terms are summarized below to help clarify current thinking on this vital issue.

Argument 1: Effectiveness of Credit Control

For: Quantitative control over credit by the Federal Reserve System, however effective it has proved to be in other fields, has failed to curb expansion of consumer credit when this was desired by the authorities. The reason for this has been the higher rates of return realized by the lenders on such credit.

When a restrictive credit policy is being pursued, banks will cut back other types of loans and investments that provide relatively much lower rates of return. But they will continue to expand consumer lending because such loans carry a higher average rate of interest than any other major earning asset of commercial banks.

Because over-all credit control is not effective in curbing credit, separate direct control is required.

* * *

Against: Current experience provides concrete proof that consumer credit is sensitive to over-all credit control.

In the first seven months of 1956, total consumer credit outstanding increased by $918,000,000, as compared with an increase of $2,771,000,000 in the corresponding period of 1955. The rise this year, when a restrictive credit policy is being applied, is less than one-third as great as it was a year ago, when Federal Reserve credit policy was relatively easier.

Disposable personal income in 1956 has been running 7% higher than last year. The fact that the rise in consumer credit to date has been only one-third as great as in 1955 fails to support the contention that effective control over this form of credit is not possible without the imposition of separate, direct regulation of the terms of consumer lending.

The President's Economic Report for 1956, describing what the credit authorities did to slow up expansion of consumer credit, recognized that they are far from helpless in this field. The report said:

"Apart from general monetary policies, the means of influencing consumer credit were limited to what could be accomplished by moral suasion and bank supervision. Government officials met repeatedly with representatives of financial institutions and noted the hazards that may attach to excessively liberal credit terms. In July the Federal Reserve, and national and state bank supervisory authorities added a section on consumer credit to their regular examination reports, with a view to providing a better basis for evaluating the quality of consumer loans extended by banks. Partly in response to these measures, but mainly in response to the general tightening

of the money market, many lenders put a halt to further liberalization of terms and some began to stiffen terms. However, maturities and downpayments generally remained liberal by contrast with those of prior years."

It will be noted that the President's Report recognized, however grudgingly, both the existence of powers to curb consumer credit other than general monetary policy, and the effectiveness of the "general tightening of the money market" in bringing about a stiffening of instalment credit terms.

The fact of the matter is that, so far in 1956, the rise of instalment credit outstanding has been markedly slowed down, and terms have been stiffened, without benefit of a restoration of Regulation W or any other form of direct regulation of this form of credit by statute.

Argument 2: Safeguarding Economic Stability

For: Liberal consumer credit terms stimulate consumer purchases of durable goods to an excessive degree in periods of prosperity, and so intensify both the boom and the consequent recession when such purchases are curtailed all the more severely. This undermines economic stability. The effect is all the more serious because fluctuations in durable goods purchases are a chief cause of the business cycle.

The Economic Report of the President for 1956 emphasized this argument when it stated: "Experience during the recent past suggests that the authority to set minimum downpayments and maximum maturities on instalment credit for the purchase of consumer durables would be a useful adjunct to other stabilizing measures."

* * *

Against: Not only consumer credit, but all forms of credit contribute to the fluctuations of the business cycle. Expansion of bank holdings of Government securities during the war contributed to business instability, but no one suggested that the banks should not finance the Treasury during the emergency for this reason. This year's great expansion in business borrowing to finance record expenditures for expansion by business enterprise could contribute greatly to economic instability; yet there is no suggestion that direct control over business lending by banks is required.

One price paid for growth of the economy is that there may be recessions at times from a high level of business activity. The Government has made clear that it is prepared to take a number of corrective measures to lessen both the magnitude and the duration of such recessions.

If the principle were adopted that the danger of recession is to be combated by direct control over particular types of credit, no form of credit extension could logically be exempted from such control. This would mean that every type of credit would have to be curbed by direct controls whenever it tends to expand rapidly, a policy that could prove highly restrictive of economic growth over the long run.

Expansion of credit is essential to economic growth. There are times when over-all credit expansion proceeds too rapidly, so that a restrictive credit policy is indicated. But without positive proof that expansion of any particular type of credit is against the public interest, the economic stability argument does not justify direct, selective credit controls.

Argument 3: The Parallel with Stock Market Credit Control

For: Loans on securities underwent a great expansion in the late 1920s and a subsequent severe contraction that contributed in no small measure to the "boom and bust" of that period. Since 1934, terms of loans to carry securities by banks and brokers have been subject to direct control under Regulations T and U of the Board of Governors of the Federal Reserve System. Because of these regulations, under which a margin requirement of 70% is now in effect—and it has been as high as 100%—for security loans, this form of credit is effectively curbed when necessary.

Because consumer credit is not sensitive to over-all credit control, it requires selective direct regulation such as has been applied successfully to stock market credit.

Against: There is no parallel between stock market credit and consumer credit.

Stock market credit is granted on the basis of the market value of the collateral, rather than the creditworthiness of the borrower. When speculative optimism is rife, as in the late 1920s, billions of dollars are borrowed to carry securities, regardless of the need for or timeliness of such credit expansion. Conversely, when the trend of the stock market turns downward, this credit is liquidated with great rapidity because of the impairment of security loans and inability of borrowers to meet calls for more margin, even though such forcible liquidation of credit greatly adds to the pressure of deflation throughout the economy.

Experience in the late 1920s showed that, as the stock market rose, many people incurred security loans without restraint, because they did not regard their debit balances as true debts, but rather as a normal aspect of investment or trading in equities. By the same token, lenders did not consider the capacity of the borrowers to pay, but rather the percentage of loan to current market value of the collateral.

Consumer credit represents a radically different type of credit extension. This is credit to finance consumption, not speculation. By its very nature, the borrower is acutely aware of the fact that he incurs a personal debt, and he is kept aware of this fact by his contractual obligation to make periodic payments on the debt. Similarly, the lender is aware of the creditworthiness of the borrower, and is kept aware of this by the rapidity with which delinquencies in payments due will rise if great care is not exercised in granting such credit. As the volume of consumer credit incurred by any borrower increases, therefore, there is an automatic check to undue further credit extension by both borrower and lender.

Argument 4: Lack of Financial Sophistication of Consumers

For: Consumer, in contrast with business, borrowers often lack financial understanding and sophistication. They are inclined to incur debt

too freely in order to buy attractive durable goods when offered with little or no downpayment. The subsequent severe contraction of current purchasing power is bad for the economy, as well as a possible cause of financial hardship and even privation in many individual cases.

Minimum downpayment and maximum maturity standards for consumer credit protect consumers from their own improvidence. The need for such protection now is indicated by the fact that consumer credit outstanding has risen to over 13% of disposable personal income. In the "normal" prewar year 1939, consumer credit was only 10% of disposable personal income. Thus, consumers have pledged a substantially higher percentage of their future incomes to service personal debts than ever before.

* * *

Against: The great advance in living standards of lower- and middle-income families in the past few years could not have been achieved without widespread adoption by these families of the "pay-as-you-consume" method of financing acquisition of durable goods. If Federal authorities had possessed the authority to protect people from their own improvidence, they would in effect have "protected" them from raising their standards of living, for it is known that a number of officials in interested agencies have regarded consumer credit outstanding as being excessive in amount for a long time.

Many consumers use consumer credit as a means of enforcing personal budgetary discipline. They want to put payment for the durable goods they require on a regular instalment basis, even though they have savings available which they prefer to keep intact for emergencies. The 1956 Consumer Finance Survey showed that nearly 30% of the country's spending units that owed consumer debt possessed liquid assets in excess of such debt, while 35% more of these spending units had liquid assets equal to a part of their debt. Another reply to the argument that freely available consumer credit breeds improvidence is the concentration of consumer borrowing in families earning more than $3,000 yearly.

It is not realistic to attempt to set a limit on the amount of consumer credit that can be prudently used merely by reference to some past year like 1939. Consumer credit is a relatively recent development, and its mass acceptance came gradually because of widespread prejudice against its use, inherited from a past when the broad basis for sound consumer borrowing that exists today did not exist. In 1939, for example, there were nearly 10,000,000 unemployed; durable goods played a considerably less important role in the American standard of living than at present; and there was less reason to expect that the Government would use its powers to check recession tendencies in the economy and sustain personal incomes. Certainly, the amount of consumer credit outstanding in 1939 is an unsuitable yardstick to use in judging whether the outstanding amount is excessive in 1956.

The basic issue is whether the amount of consumer credit outstanding should reflect the decisions of numerous lenders and millions of borrowers, or the judgment of a few persons in a regulatory agency. If experience clearly showed that the public interest required direct bureaucratic control, as with stock market credit, the answer would be clear. But experience to date indicates that judgment as to the need for such direct control should be suspended until the evidence for it is a good deal stronger.

Argument 5: Adoption of Controls on a Stand-by Basis

For: Stand-by controls for consumer credit, that would be applied only when experience will clearly show a need for them, can do no possible harm. Opposition to approval for stand-by controls indicates that the opponents want no control whatever under any circumstances.

Even though the evidence is not at all clear that controls are required now, that situation could change at any time. We saw in 1955 how rapidly consumer credit can expand in one year, once consumers lose their reluctance to incur debt freely. In view of the long period of time required to draft an acceptable bill, hold hearings and take legislative action, Congress should provide the requisite enabling authority now, leaving its application to administrative action.

* * *

Against: Once direct control over consumer credit has been authorized by Congress, there will be a strong tendency to impose such control whenever any considerable further increase in outstanding consumer credit occurs.

The very fact that such a law is passed will be cited as evidence that it is the intent of Congress to have such action taken. The present Administration may be reluctant to impose direct controls without clear evidence of a need for them; but a future Administration may have no such reluctance, and may reflect the persistent bias against consumer credit that still exists in some circles.

The nature of consumer-credit granting, involving as it does both credit appraisal by the lenders and willingness to assume instalment obligations by the borrowers, makes urgent action unnecessary. Congress would have ample time to consider and authorize controls, should evidence for the need for them become clear at some future date.

Argument 6: Prevention of Destructive Competition

For: The relatively high rates of interest realized on consumer credit and keen competition to make such loans among the various classes of lenders create the danger that competition will assume a destructive character through excessive liberalization of lending terms. There have been many instances of excessively lax terms.

Federal Reserve control over downpayments and maturities offers the industry the surest protection against such destructive competition. It would provide the same kind of safeguard against destructive competition as prohibition of interest payments by commercial banks on demand deposits and limitation of interest rates on time and savings deposits. Banks and other lenders thus have strong reason to support direct controls in their own interest. Even mere authorization of such regulation will tend to discourage excessive liberalization of

(CONTINUED ON PAGE 122)

George S. Moore

Small Business Loans of Banks Show Increase

Rise of 14% in Year Ended August 31

THAT banks have increased the number and amounts of their loans to small business in spite of prevailing tight credit conditions is indicated by the results of a survey of small business lending operations of leading banks throughout the country made by the Credit Policy Commission of the American Bankers Association. George S. Moore, executive vice-president of The First National City Bank of New York, is chairman of the Commission.

The 78 banks that furnished the figures to the A. B. A. Commission reported that their small business loans for amounts under $100,000 had increased by $228,000,000, or 14%, from August 31, 1955, to August 31, 1956. As of the latter date, these banks reported that they had outstanding 230,000 small business loans under $100,000, aggregating $1,842,000,000. The number of these loans increased by 5% from a year ago. (See chart, page 160.)

The survey covered small business loans under $50,000 and between $50,000 and $100,000. The first group showed the greatest increase. Business loans under $50,000 aggregated $1,221,000,000 on August 31, 1956, and were up $154,000,000 or approximately 14½% in amount from a year ago. They numbered 220,000, an increase of about 5%. Loans between $50,000 and $100,000 increased $74,000,000 to $621,000,000, an increase of 13½% over 1955. The number of loans in this group was up 15% from last year.

Figures for instalment loans also showed an increase in the same period. Seventy of the reporting banks supplied data showing that the loan outstandings in their instalment loan departments had increased by $274,000,000, or 10% from August 31, 1955, and that $2,910,000,000 was outstanding to 4,590,000 individual borrowers as of August 31, 1956, an increase of 5% in number.

"The survey was made," said Mr. Moore, "to determine whether the present credit situation has adversely affected the ability of small business, or of individuals, to obtain bank credit. As should be expected in a period of rising business activ-

(CONTINUED ON PAGE 124)

Bankers Like to Lend

THE Chase Manhattan Bank of New York City in a recent ad entitled "A Close Look at Tight Money" had this to say:

"Much of what is being written and said today about small business not getting its share of bank credit fails to square with the record. Banks are doing their level best to meet the credit needs of small businessmen. There is ample evidence of this.

"At Chase Manhattan, for example, commercial and instalment loans in amounts ranging from $1,000 to $100,000 made to small business *increased 31% in number* during the past year.

"This is not to imply that anybody who wants a loan today can walk into a bank and get it. Money is tight. Right now the demand for credit from banks is bigger than the supply. Borrowers large and small are competing for money. But it's not their size that's really important. What primarily determines whether a business loan will be made is the creditworthiness of the applicant. Bankers are supplying credit to business and commerce for current needs, and figures indicate small businesses are getting their fair share of the money available.

"This is the situation today. Back of it there is a simple banking philosophy: *Bankers like to lend money.* It's their bread and butter. But sometimes loans have to be turned down. Remember, bankers are not lending their own money. Bank loans are made from money entrusted to banks by depositors. Therefore bankers must use sound judgment and common sense.

"This sums up the general position of commercial banks about loans to small business today. We believe it is a sound position . . . one that gives everybody in the business community a fair chance at available bank credit."

A Bank Plan for Handling the Problems Presented by

The Homeowners' Insurance Policy

MARY T. LYNCH

The author is assistant secretary and officer in charge of mortgage servicing, The County Trust Company, White Plains, N. Y.

THE homeowners' policy, recently introduced by insurance companies throughout the country, incorporates in one comprehensive package all types of insurance protection offered to home and property owners. In addition to the commonly held fire and extended coverage, it also includes household and personal property, comprehensive liability, theft, explosion, vandalism, collapse and landslide, freezing, and water damage. This simplification of the homeowner's insurance needs, by the combination of these broad coverages in a single policy and the over-all saving effected by the special flat rate it carries, has resulted in rapid and widespread acceptance of the homeowners' policy by the public.

However, most properties covered by homeowners' policies are mortgaged, and this gives rise to the question: Is the homeowners' policy acceptable to the mortgagee as well as to the property owner? Examination of the policy itself indicates that the basic contract is the same as the standard fire policy. In those states where it pertains, the standard mortgagee clause is attached to the homeowners' policy.

The acceptability of the homeowners' policy becomes complicated if the mortgagee holds monthly repayment mortgages that provide for accruals for the payment of fire insurance premiums. A whole new set of problems stems from the special features of the policy: its broad, inclusive coverage and the indivisibility of its premium. Since these are the characteristics that make it attractive to the homeowner, the mortgagee finds its interests to be at variance with those of its mortgagors and with the insurance companies that are offering the homeowners' policy. These problems fall into two interrelated categories: those that affect the rights and obligations of the mortgagee as set forth in the mortgage agreement and in the FHA and VA regulations, and those that are related to the technical aspects of the mortgagee's operational procedures.

Vulnerability

The standardization of mortgage forms during the past 20 years makes it possible to refer generally to the "terms of the mortgage." These provide coverage against fire and such other hazards as the mortgagee may require, but the homeowners' policy embraces coverages which are neither expressed nor implied in the mortgage agreement and which have no direct bearing on the collateral involved. Clearly then, the mortgagee assumes a vulnerable position if, for the accommodation of its mortgagor, it accepts the added responsibility of collecting and paying the premiums. The standard error and omissions policies, which insure the mortgagee against clerical error or omission, are restricted, as this is written, to fire and extended coverage. Although a supplementary agreement could be executed in each case, relieving the mortgagee of such responsibility, if an actual loss were suffered due to an omission on the part of the mortgagee, the ethical obligation could not be lightly dismissed.

A further deterrent to the mortgagee's ready acceptance of this added responsibility to accrue and disburse the full homeowners' premium is the potential jeopardization of the Government insurance in the case of an FHA mortgage. Despite the fact that the Federal Housing Administration disclaims any requirements as to hazard insurance, it does stipulate that the mortgagee must tender to the commissioner the property, undamaged by fire, earthquake, flood or tornado, as a condition precedent to the issuance of debentures. Also, it will disallow any advance made by the mortgagee to cover that portion of premium attributable to protection other than insurance coverage on the dwelling and property covered by the mortgage terms. Furthermore, the standard FHA mortgage form explicitly provides for 1/12 of the annual fire insurance premiums, and the FHA regulations prohibit reduction to principal if such reserves are not maintained on a current basis. The practical resolution of these points has been for the mortgagee to adhere strictly to a monthly accrual for the payment of fire and extended coverage premiums. Full acceptance of the homeowners' policy, with maintenance of adequate reserves for the payment of the whole, indivisible premium, therefore poses the question whether such an FHA mortgage payment, inflated by inclusion of the monthly accrual of insurance coverage not required by the mortgage agreement, can, if unpaid, be correctly construed to be delinquent?

VA Requirements

The insurance requirements of the Veterans Administration are more clearly defined than those of the FHA. Section 36:4326 of the Loan Guaranty Regulations makes it the duty of the mortgagee to require insurance policies to be procured and maintained in an amount sufficient to protect the security against risks or hazards to the extent customary in the locality. The VA offers no objection to acceptance of the homeowners' policy, provided such acceptance is agreed to by both mortgagor and mortgagee and provided

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Washington

The Curtain Goes Up on the Robertson Inquiry

LAWRENCE STAFFORD

PRELIMINARY indications confirm the prospect that the Robertson inquiry into Federal laws applicable to banking and credit institutions will be broad.

Already the Federal Reserve Board has submitted some 40 proposals for legislation, the Comptroller of the Currency 45, the FDIC 30, the Welfare Department, which supervises Federal credit unions, has offered 13 proposed changes, and the Home Loan Bank Board, a comparably large program.

In general, but with some exceptions, the proposals do not suggest that major controversies will arise. Unless politics or other controversial issues are injected into the inquiry at some later stage, this absence of dispute augurs well for a substantial legislative achievement. In reporting this tentative prospect, it should be noted, this correspondent is not passing judgment on whether any or all the numerous proposals are desirable or that they will be accepted readily by Congress.

Avoidance of major controversy seemed to be purposeful, at least last month. For instance, Chairman William McC. Martin of the Federal Reserve Board, in a covering letter accompanying the Board's recommendations, specifically said it was his understanding that the Board's proposals in general should relate to possible changes in the law "with respect to operational activities and changes designed merely to eliminate obsolete provisions, or to add such new provisions as seem desirable in order to clarify the law or make it more workable."

Accordingly, Gov. Martin said the Board's proposals do not cover policy matters or the scope or structure of Federal bank activities.

It is a reasonable assumption that Chairman Martin checked with the Banking Committee for signals on the nature of the inquiry.

What the Inquiry Avoids

What the committee intends not to undertake helps bear out an understanding of its positive objectives.

For one thing, the committee is not seeking to evaluate current monetary or credit policies in relationship to the economy. In general, also, it is not an inquiry into purely economic matters. Thus it will not pass judgment on the annual practice of loosening terms under Government-sponsored credit in either the housing or farm credit fields.

While the committee is seeking to modernize the banking laws and adjust them to the conditions of a 1956 world, it cannot, as a matter of practical politics, go into the merits of loose credit in the farming or housing fields. To do so would obviously raise a tremendous opposition from spokesmen for those interested in such avenues of forced credit. There are practical limitations to such an inquiry.

Initially, at least, the recommendations also have avoided touching the competitive relationships among various types of lending institutions under Federal laws, at those points where competition exists. There was, for instance, no official recommendation bearing on the competitive relationship between commercial banks and savings and loan associations as to their differing positions.

Already the inquiry has made certain definite progress. Besides collecting the numerous recommendations of the Federal agencies regulating various credit institutions and publishing these as a document, the Banking Committee has printed another document which may have wide utility to banks and others. That is the compilation of all the Federal laws applicable to banking and credit agencies.

From the time this article is sent to the printer's and before publication, various trade associations in the credit field, individual banks, savings and loan associations, and many bankers will have offered the Banking Committee ideas of their own for changes in the law.

Sen. Fulbright Interested

The recommendations of the bank supervisory agencies will be the subject of public hearings, according to the schedule, before the Senate Banking Committee November 9 and 10. At this hearing the members of the Advisory Committee are expected to be present.

Senator A. Willis Robertson (D., Va.) is perhaps the chief sponsor of this study of the Federal laws relating to banking and credit institutions. For the purposes of the inquiry he will act as chairman of the full committee and not merely in his capacity as chairman of the Banking subcommittee on banking matters.

On the other hand, through the interest he showed in changes in FDIC laws when he was conducting the September committee hearings into the situation of the Illinois banks, Chairman J. William Fulbright (D., Ark.) of the full com-

mittee constantly revealed that he was doing a great deal of thinking about the inquiry and its possibilities. Senator Fulbright is obviously keenly conscious of the project.

Back Fulbright Bank Merger Bill

All three Federal bank supervisory agencies, the Reserve Board, the Comptroller, and the FDIC backed the proposal which in the last session of Congress was embodied in the Fulbright bill. This was the bill vesting in the Federal bank supervisory officials the power to pass upon the competitive as well as other economic and financial aspects which go into determining whether a given proposed bank merger is desirable.

These three agencies also unanimously supported this proposal in the 1956 session. However, by reaffirming their positive endorsement of the Fulbright bill, the Federal banking officials have taken the initiative in a move to see that the supervisory officials, rather than the Department of Justice, shall rule on the competitive aspects as well as all other considerations involved in the bank merger question.

Summary of Recommendations

So prolific are the recommendations of the Federal agencies for changes in the laws relating to banking and credit institutions that it is difficult adequately to put them into categories and equally difficult to describe them.

However, for one thing, it was a surprise to observers to ascertain how many obsolete provisions remain in the laws. Of the Reserve Board's 40 recommendations, perhaps 25 of them proposed dropping obsolete provisions or the correction of technicalities.

Thus, the Board proposed to drop provisions still remaining in the original Federal Reserve Act providing for an organizing committee to set up Federal Reserve banks; provisions for redemption of Federal Reserve notes which no more are redeemable to the public; references to the Secretary of the Treasury and Comptroller as ex-officio members of the Board, and so on.

Second, the recommendations of a housekeeping or administrative nature are almost equally numerous. In general, the repeal of obsolete provisions and the proposal for "tightening up" and tidying up administrative practices dominate the recommendations as a whole.

Avoids Budget Bureau

One peculiarity of the procedure of the Robertson inquiry is that it avoids the occasional road-block, and in any case frequent delay, usually made necessary to obtain clearance from the Budget Bureau before any legislative proposals may be submitted to a committee of Congress.

However effective the Budget Bureau may be in holding down Federal spending, it has become a potent arm of the President in funneling and censoring legislative proposals by the agencies. Usually the Bureau examines each such legislative proposal to pass judgment as to whether it is "in conformity with the program of the President."

The Bureau, however, frequently allows agencies to submit legislative proposals if they expressly state that the Budget Bureau has not ruled whether they are in conformity with the program of the President.

Orderly Procedure

This often assists materially in promoting orderly procedure in Government. Thus, one agency is barred from working at cross purposes with another, or often from going in a different direction from the main bent of the Federal Government as a whole. It often forestalls a pressure group from persuading one agency to champion its special cause.

On the other hand, regardless of its merits, this frequently deprives Congress of considerable initiative in legislative matters. This initiative the Senate Banking Committee expressly seeks to retain. It wants the full and unrestrained judgment of the banking and credit agencies about the changes needed in their laws. These agencies were requested to submit proposals for recommendations rather than specific legisla-

Organization of Inquiry's Advisory Committee

On October 15, Kenton R. Cravens, chairman, the Advisory Committee to the Senate Banking Committee inquiry into the Federal laws applicable to banking and credit institutions, announced the organization of the Advisory Committee. Mr. Cravens, a former RFC Administrator, is president of the Mercantile Trust Company, St. Louis.

Mr. Cravens designated as vice-chairman of the committee C. Francis Cocke, chairman of the board of the First National Exchange Bank of Roanoke, Va., and a former president of the American Bankers Association.

Five subcommittees, each to deal respectively with the recommendations of the Federal Reserve System, the Comptroller of the Currency, the FDIC, the Home Loan Bank Board, and the supervisors of Federally chartered credit unions, were set up. The chairmen of these subcommittees and Messrs. Cravens and Cocke will constitute the executive committee of the Advisory Committee.

Robert Neill of the law firm of Thompson, Mitchell, Thompson and Douglas, St. Louis, will act as counsel for the Advisory Committee, whose secretary will be James Saxon of the legal staff of the First National Bank of Chicago.

On page 38 of the October issue of BANKING were identified the banking or other connections of the 27 members of the Advisory Committee. There follow below the members of each of the five subcommittees named by Mr. Cravens, the first named being the chairman:

Federal Reserve: John J. McCloy, Lester V. Chandler, Homer J. Livingston, Vivian Johnson, and J. V. Satterfield, Jr.

Comptroller and National Banks: Everett D. Reese, Norris O. Johnson, Ben Wooten, Edwin P. Messick, and M. B. Spragins.

FDIC: W. J. Bryan, J. Cameron Thomson, Theodore Herz, and Joseph M. Naughton.

Home Loan Bank Board: Henry A. Bubb, Joseph A. Broderick, James E. Shelton, W. Franklin Morrison, and C. Ward Macey.

Federal Credit Unions: William W. Pratt, Maxwell F. Eveleth, Sr., Reed E. Holt, William W. Whiteman, Jr., and Robert L. Oare.

tive bills, which procedure would get around the technical requirement that legislative proposals shall be screened through the Budget Bureau. The committee aspires to frame a comprehensive revision of the banking and credit laws without benefit of the interposition of the Bureau.

Some of the possibly more interesting highlights of the recommendations may be mentioned. It should be noted, however, that so numerous are these recommendations that about all that can be done is to mention them, without sufficient description to give a full and precise explanation of their intent.

Simpler Reporting Procedure

One of the things the Reserve Board proposed is to simplify reports of condition, using different reporting forms for different groupings of banks, and in some cases getting reports on a sampling basis. This would be applicable, of course, to state member banks, since national banks report to the Comptroller.

With this power the Board would not require a report from every

(CONTINUED ON PAGE 102)

All Is Not Well with the Monetary Fund

THE annual governors' meeting of the International Monetary Fund was marked by the usual tributes to the management and staff, which commemorated the occasion with a little book, *The First Ten Years of the International Monetary Fund.* The World Bank has many strong supporters, but all is not well with the Fund.

Europeans particularly take a jaundiced view of the way the Fund has worked out, or rather, not worked out. What they said in public at the annual meeting was one thing, but what they said privately was often very different. Circulating in the corridors of the conference we asked a number of delegates we had met at Bretton Woods 12 years ago how the performance of the Fund compared with the promise. The minutes of the Fund's board meetings are confidential, but what goes on around the table may be gleaned from some of the aforementioned comments.

"I think they should give the money back!" said one eminent European delegate, who prefers to remain anonymous. "Who wants to borrow from the Fund? Look at how little they are lending. Washington is the wrong site for the Fund. It is being run by the United States."

A DISTINGUISHED financial spokesman of another country which was in on the Fund from the gleam-in-a-professor's-eye stage replied: "In terms of the expectations of the great majority of the U.K. and U.S. delegations in 1944, the Fund has been a most crushing failure. It would be hard to find words for it. At the Savannah Conference in 1946 the Americans, jubilant over the success of the propaganda campaign in selling Bretton Woods to the country, were wondering how to use the $25,000,000-a-year profits they expected the Fund to earn. Instead the Fund is going into the red for about $4,000,000 a year."

A Bretton Woodser from still another country stated: "Either it was destined to be denuded of its dollars or remain useless." A fourth noted that, whereas the pillar of the Fund was to be fixed exchange rates, we see a world of fluctuating rates, even in Canada. Access to the Fund by members is, he said, obstructed by the U.S., which "controls 28% of the votes plus the 6% wielded by Formosa . . . Important clauses of the agreement are not being respected."

THUS it goes among the Europeans, while a former U.S. financial official declares, "We could have done a better job ourselves." And a Congressman who played a key role in getting the Fund approved here expresses "great doubts about the Fund."

We lack space to relate the Fund's history here or to discuss the pros and cons of U.S. policy in the IMF. Suffice it to note that, while we put $1¾-billion into the IMF, since World War II the U.S. Treasury has added some $54-billion of loans and gifts to the outside world's dollar supply. Included therein is our contribution to the European Payments Union, to which western Europe, Britain, and indeed the whole sterling and franc areas turn, rather than to the IMF. Although not what Lord Keynes blueprinted, there at least is an active clearing union. And plans go forward to create a better European Monetary Fund.

Many of the criticisms of the IMF heard in the conference corridors this year reflect British views. The British pleaded in vain to keep the IMF headquarters out of "political" Washington. They sought "unobstructed" access to its financial resources for all members, who should count their "quotas" as readily available reserves. But, the London *Financial Times* now concludes, on its operational side "the Fund has been a failure. And . . . there is no reason why it should not continue to be . . . There is therefore the strongest of cases for a comprehensive reexamination," to discover whether the Fund "should discontinue lending operations altogether and return the whole of its resources to member countries" or just reduce them, "for they could put it [the unused fund] to far better use than it is being put to at present."

The British Government has no desire to see the Fund liquidated, but it does want it to be something more than an admission ticket to World Bank membership. Britain would like to see the Fund used far more frequently than has been the case in recent years. At the start, various members, including the U.K., freely used the Fund's resources, but with the Marshall Plan came the decision that its beneficiaries should be ineligible for Fund loans. Also differences of opinion as to members' access to drawings developed. Later the Rooth Plan of standby credits was introduced, but without noticably increasing resort to the Fund.

Members seem to have got out of the habit of using the Fund. Some stigma seems to attach to drawing from its resources, which have tended to be used not as a first resort but only as a last resort. The problem, as the British see it, is how to get the members to use this big pool of currencies created with such fond hopes more than a decade ago.

HERBERT BRATTER

MEET PRESIDENT

IMAGINATION, quiet courage, faith in the things that count, and a will to translate ideas into action are some of the personal assets that Erle Cocke has in abundance.

The man just chosen for the highest honor in the banking world has also another quality even more important, perhaps, and easy to recognize, but hard to define. Strange, that our wonderfully flexible English language should be so lacking in simple words to describe what we mean when we say someone has the ability to inspire teamwork. Leadership is a good word but not quite adequate. Executive, administrative, or management skill, initiative, and so forth, express ideas but singly or all together do not denote accurately the organizing competence which makes a group pull together instead of tugging in different directions.

No matter what names we give to them, all of these characteristics will show up as we examine the new president's views about banking, his program for the Association, some of the things he has done, and then have a little visit with his family. We'll see all of these qualities playing a part in his career as they are likely to be reflected in the achievements of his year at the helm of Association affairs. Here is a sampling of his views in brief, on topics of timely interest, based on

Erle Cocke's spirit of teamwork is not confined to his own bank. *Below*, he is shown at luncheon with a group which would seem to make Atlanta a sort of banking capital of the U. S. at this time. Starting at Erle's right and going around the table are Baxter Maddox, First National Bank of Atlanta, past president of the Trust Division of the A.B.A.; Douglas Robertson, Trust Company of Georgia, president of the Atlanta Clearing House Association; Alva Maxwell, Citizens & Southern National Bank, past president of the Financial Public Relations Association; Steve Bomar, Trust Company of Georgia, president of NABAC; William V. Crowley, president of the Fulton National Bank; James D. Robinson, Jr., First National Bank of Atlanta, president of Reserve City Bankers Association; Bolling Jones, Jr., member of executive committee and chairman of finance committee, the Fulton National Bank; Garnett Carter, the Fulton National Bank, past president of the American Institute of Banking; William Hosch, secretary of Georgia Bankers Association; Emmett Gormley, Georgia Savings Bank & Trust Co., vice-president of the Independent Bankers Association; Haynes McFadden, publisher of the *Southern Banker*, secretary emeritus of Georgia Bankers Association; Robert F. Maddox, First National Bank of Atlanta, past president of the A.B.A.; Clarence Haverty, chairman of the board, the Fulton National Bank; and William R. Kuhns, editor of BANKING. Not in the picture were M. E. Kilpatrick, member of executive committee and counsel, the Fulton National Bank, and Mills Lane, Jr., Citizens & Southern National Bank, past president of NABAC and past president of Georgia Bankers Association. As mentioned in the story, the luncheon was in the Clermont Room, where even the walls are slanted to give the impression of the ship's mess

COCKE

interviews, excerpts from talks, or paraphrasing of his remarks.

Views on Banking

"Sound money, sound credit, and sound banking people," says Erle, "just about sum up my creed, my program, my platform, or whatever you want to call it. That's what I believe and for what I'll work. The first, sound money, is primarily the job of the monetary authorities, but the other two, the making of constructive loans and the continuing development of competent bank personnel, are the responsibility of the bankers of the nation." From that starting point or on that base, the new chief of the Association intends to build his program during his year in office. Further—

"Bankers should not be contented simply with solving today's problems. They should look around and think what their communities will be some years ahead and plan to meet the needs of a dynamic future through technical progress and capable management."

Competition

"Banks must continuously improve

Erle and Elise look over their busy schedule for Los Angeles

Below **is Erle Cocke's chief hobby. He says it is the only one that counts.** ***From left to right:*** **Aline (Mrs. Eugene P. Cofield, Jr.) his daughter; Erle; Eugene P. Cofield, III ("Jeep"), grandson; Mrs. Cocke holding 6-months-old granddaughter, Elise Carol Cocke; Elise Cocke Cofield, granddaughter; and Madelyn (Mrs. Erle Cocke, Jr.), daughter-in-law. Erle, Jr., could not be present but his picture appears on page 45**

their performance and services through constant research and analysis so that they can deal with competition from other institutions whose functions duplicate or overlap those of banks."

Savings

"Many bankers are changing their minds about savings today. Money is in demand today to finance the high level of business and national growth. Banks must compete for savings more than they have had to do for some time."

Selling

The annual report of the Fulton National Bank for 1955 refers to business development as a function of the bank's "sales department." This is a very interesting department because it includes everyone connected with the bank. There are 446 full-time employees and 31 part-time.

Many of them are active in community affairs, and they are encouraged in this direction, as well as toward continuing their educational endeavors in the A.I.B. the Graduate School at Rutgers, and elsewhere.

The growth of the bank has been rapid even for the booming Southeast, which has witnessed such great economic development in recent years. The chart on this page shows the progress of The Fulton National Bank of Atlanta over the past 7-year cycle, 1949 through 1955. Notable is the growth in deposits, capital structure, loans, and net profits.

Again and again in all of Erle Cocke's public remarks and casual conversation the subject of selling and public relations occurs.

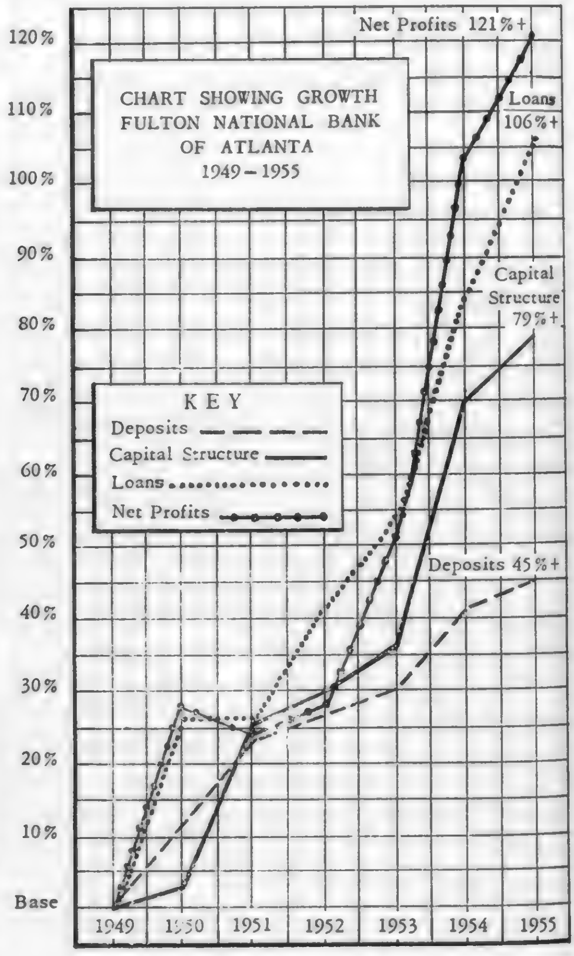
We often hear it said that advertising and public relations should not be simply a department of a bank but should permeate the institution and be a function of the whole bank staff from chief executive officer to the newest recruit. Erle preaches this and it's a pleasure to hear him; and he practices it, too.

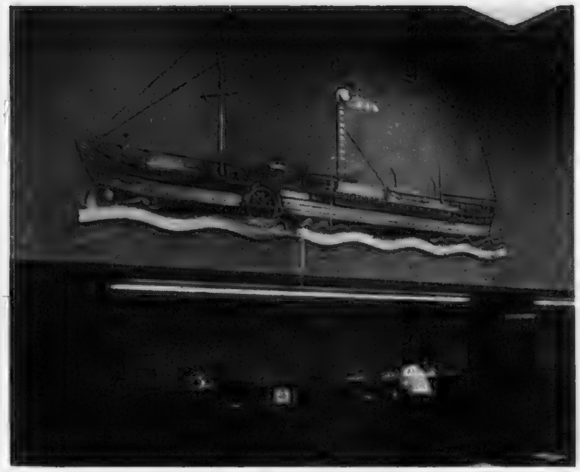
On credit policy he says:

"With business at peak levels and

(CONTINUED ON PAGE 138)

Below, left, is the magnificent new home of the Fulton National Bank, opened in October one year ago. It is built of red brick and is 25 stories high. It has a parking garage for 200 cars. It provides drive-in banking. There are two escalators and eight elevators, besides ample stairways. The bank brings together under one roof all types of banking operations, totaling 77 different services. It serves 350 correspondent banks throughout the country. There are conference rooms for out-of-town visitors and there is space for an assembly room for public and bank gatherings. Employee facilities, including a dining room, cafeteria, hospital clinic, etc., are modern and exceptionally attractive. The chart below shows graphically the bank's rapid growth from 1949 to 1955





ABOVE—The officers' platform in the new bank building

ABOVE—The new bank's walls are beautified by what are regarded as the world's first aluminum murals. This one is a representation of Robert Fulton's *Clermont*

RIGHT—This is Erle Cocke, Jr., saying good-bye to his father, leaving for Los Angeles, California, meeting. At the Chicago convention of the American Bankers Association in 1951, Erle, Jr., then National Commander of the American Legion, addressed the annual session. He is a farmer, stock-raiser, and vice-president of the Delta Air Lines. He is a former soldier and his military career was most remarkable. He served with great heroism, escaped twice after being captured, and when captured a third time was promptly "executed" and left for dead. On the wall in his father's home is a glass-enclosed case of medals awarded Erle, Jr.

BELOW—The Fulton National's lobby filled with customers

Public Relations

How to Sell Your Bank

Dallas, Texas

JOHN L. COOLEY

As advertised, the Financial Public Relations Association came down to this lil' ol' ex-tradin' post for a Texas-size swap. The swapping was in ideas, not cow ponies or oil wells, and when it was over each of the thousand delegates toted home a kitful of suggestions for selling the commodity everybody was most interested in—bank service.

If stretched end to end, the ideas offered at this forward-looking, "Howdy, Pardner" convention would reach all around the state that talks in $64,000 superlatives. The selling theme was developed at every angle—from community and good neighborliness, to direct mail and the problems set up by the drive-in. At some two score conferences and clinics, bank public relations experts not only listened but, in the FPRA manner, told what their own banks were doing. So it was give and take—which is perhaps the best way to get the most out of a meeting with your peers.

The ideas business went so far, in fact, that your correspondent is in a position to report the ultimate in those valued imperishables. Believe it or not, Fort Worth—which to some Dallas folks is just a long-distance suburb—persuaded Big D to lend it the convention for a half day of western entertainment. Both the bronc-riding (in which no FPRAers participated) and the pleasant gastronomy (an open event) were on the Fort Worth Clearing House Association. The program didn't say who thought that one up, but it was a major demonstration of public, community, hands-across-the-ranch relations, worthy of that old pro and master mind, FPRA's executive veep, Pres Reed. Maybe those two co-chairmen of the Dallas Convention Committee, Clif Blackmon and George Watts, had a hand in it.

Anyway, the five-day roundup wore the Dallas tag—and Dallas, like a bank with an up-to-date PR program, is an old hand at neighborliness. Her friendly greetings to the FPRAers were spoken by no less a personage than Fred F. Florence, president of Republic National Bank and of the American Bankers Association in 1955-56.

Headliners

Mr. Florence had plenty of notable company. There was, for example, R. L. Thornton, Sr., who's chairman of the board of the Mercantile National Bank, and mayor of Dallas to boot. In the keynoter's spot, he talked on "Why I'm Glad I'm a Banker." Other headliners included W. W. (Del) Delamater, the association's 1955-56 president, and vice-

FPRA's 1955-56 president, W. W. Delamater, Tradesmens Bank & Trust Co., Philadelphia

New president, William E. Singletary, Wachovia Bank & Trust Co., Winston-Salem, N. C.

First vice-president, Orrin H. Swayze, First National Bank, Jackson, Miss.

president of the Tradesmens Bank & Trust Company, Philadelphia; Dr. Peter P. Klassen, University of Illinois, who was instructor at the convention's daily School of Sociology; Joe A. Clark, vice-president, Fort Worth National Bank and president of the Texas Bankers Association, who came over to extend a welcome.

There were also John M. Fox, president of Minute Maid Corporation; J. Roger Deas, American Can Company; and last — but only because he closed the convention as banquet speaker — Ben H. Wooten, president of the First National Bank in Dallas, a staunch friend of bank public relations.

These men helped tie the convention's many threads together with varied approaches to the basic "How to Sell Your Bank" theme. And when President Delamater gave the gavel to his successor, William E. Singletary, vice-president of Wachovia Bank & Trust Company, Winston-Salem, N. C., everybody had had a long look at today's problems, some of which may be around quite a while.

Five Bank PR Problems

President Delamater listed these important ones: automation, competition, mergers, loan demands, and parking, and suggested how public relations could tackle them. Elaborating, he said:

Automation: "Careful plans must be made well in advance to avoid any unfortunate impact on our staffs. Certainly we should begin to give thought to the manner in which we announce the changes in systems and forms which affect our customers."

Competition: "To rant and rave against it is a waste of time and energy. To observe our competition securing business we believe might otherwise walk in our front doors, makes us disturbed and uncomfortable. I wonder whether some of that agitation may not be caused by a subconscious realization that we may be partly at fault? Are we being jolted out of a comfortable complacency? We must create more forceful advertising, develop new merchandising techniques, and effect among our staffs a greater alertness toward new business if we are to meet the fresh and sometimes unconventional appeals of our competition."

Mergers. The public relations problems in mergers are not only in their proper explanation to staffs, stockholders and customers, and the transfer of balances. "For it seems to me that after each merger is announced, an increasing segment of the public is asking, 'What do these mergers accomplish? Are we going to end with only three or four banks in this area?' and other questions that indicate apprehension. It is our task to see that these fears are allayed and that the favorable aspects of the merger are presented promptly, clearly and favorably to the public when the announcement is made. As the merger trend continues, the task will become increasingly difficult."

Loan Demand. In this time of tight money, when many requests for marginal loans are being refused, "careful thought must be given to the manner in which these loans are declined. Are your loaning officers frequently reminded of their vital responsibility in continuing good public relations?"

Parking Problem. "Drive-ins and parking lots are fine attempts to siphon off some of the justifiable complaints of our customers. Some banks are building garages with direct access to the bank. Some method must be devised, some revolutionary thinking developed, to solve this really serious situation. Meantime, public relations people must try to keep our customers reasonably sat-

Second vice-president, E. T. Hetzler, Bankers Trust Co., New York City

Third vice-president, Reed Sass, Fort Worth National Bank

Treasurer, John L. Chapman, City National Bank & Trust Co., Chicago

isfied by faster teller service and less crowded lobbies."

Down to Brass Tacks

That was the broad view. The focus sharpened at dozens of meetings, each pointing up a specific problem or challenge in bank relations with the public. Here are some highlights:

Sales Organizations. In banks they must be different from those of manufacturing and merchandising businesses, said Robert Lindquist, vice-president, Harris Trust and Savings Bank, Chicago, and former FPRA president. A commercial bank should give first consideration to retaining and cultivating present customers. Every staff member is in effect a salesman; thus, organizing for business development means the training and stimulation of amateur salesmen—virtually the whole staff. Whatever his title, a sales manager is needed; he must point out to the staffers the relationship of the bank's success to their own, stimulating their confidence in their ability to sell, teaching them to use their ability.

Selling Savings. William P. Scott, vice-president, LaSalle National Bank, Chicago, said his survey of 35 banks had shown that "the banker who stops beating his head in impotent fury and sits down to map out a program of intelligently merchandising the savings department will turn the tide of receding savings deposits into one of steady growth." Also, deposits of the 16 banks that had emphasized promotional work during 1955 gained 2.2%. The other 19 did no promotion; their savings deposits dropped 2.5%.

Mr. Scott outlined four savings plans that have been particularly successful: Automatic monthly transfer from checking to savings accounts; "double dollar" insurance; the "savings goal" method with insurance feature; and use of coupons rather than passbooks.

Interest Factor. James P. Furniss, vice-president, Citizens and Southern National Bank, Atlanta, said the rate of interest paid on savings in the Southeast has been "a potent business getter." In that section "more and more banks are increasing the rate to the legal maximum and they are experiencing considerable growth in savings."

(CONTINUED ON PAGE 129)

BANKS and PEOPLE

Bank Bulletin Board for Community Us

DROP in at The Fremont (Mich.) State Bank, and the first thing you're likely to notice is a king-size bulletin board.

Stop a moment for a closer look. On the large surface are perhaps a dozen bits of paper, telling you that Farmer Anderson has a good Guernsey heifer for sale; that Mrs. Flora Smith is willing to part with some extra fine strawberries by the case; that a two-family house is available on Maple Street; that Mary Jones has a pair of roller skates, and what'll you swap for 'em?

For this is a community bulletin board, provided by the bank for everybody's use. Farmers come in and post for-sale notices about stock and produce. Boys and girls advertise bikes and fishing rods. Church food sales, lodge meeting notices, or what have you, get their share of the free space.

This is just one of the bank's "little extra courtesies" which, explains Executive Vice-president M. D. Watts, "decide whether people will bank with you or your competitor." Others provided by the Fremont State include a women's finance forum (first in the county), free milk in the lobby during Dairy Month, Scout bank tours that end with a free savings account and a milk-cookie treat, a smartly decorated Community Room for meetings of the Red Cross, Farm Bureau, church and other civic groups.

The bank's windows are available, too, and merchants are invited to use them for nationally advertised promotions.

Mr. Watts, who says "public service is the life blood of banking," adds:

"After all, a dollar is a dollar. We believe the customer takes that dollar to the bank that is most friendly and most interested in all phases of his life, not just his money.

"You could capsule this philosophy in a few words: 'It's the little things that count.' We believe that. We've seen it work."

Butch Houghtaling, 10, and Howdy Dahlstrom, 9, post notices on the Fremont State Bank bulletin board. Butch is selling a bike for 15 bucks, Howdy wants to swap roller skates for ice skates

METHODS and IDEAS

Operating Aids for the Small Bank

A Collection from the NABAC Convention

At the 32nd annual convention of the National Association of Bank Auditors and Comptrollers, held in Washington, BANKING'S *reporter was particularly on the lookout for suggestions of interest to the smaller banks.*

NABAC emphasizes methods for systematizing and improving operating techniques—the loss preventives that are the control men's special charge. Along this line, the convention provided the 1,350 delegates with numerous papers and panels of special importance to small banks, and we report on some of them.

Danger Spots in Deposit Account Control

FIRST, there was the supervisory agency men's panel which stressed the need for competent audit programs and also made suggestions.

George S. Sloan, Director of Examinations, Federal Reserve System, pointed out some common weaknesses in the control of deposit liability accounts:

Inadequate control of inactive or dormant accounts and withdrawals therefrom. Failure to provide that no one person may process a complete transaction. (Where teller machines are used, provide at least lock controls by the auditor, independent signature cards for him, control of unused ledger cards, passbooks and signature cards.)

Unauthorized access to records after hours. Failure to provide double custody of night depository bags. Failure to rotate bookkeepers and to set up proper vacation schedules. Failure to confirm closing of accounts with customers. Unauthorized overdrafts. Payments against uncollected funds, kited checks.

How to Improve Control

MR. SLOAN had suggestions for deposit account control:

Confirm checking accounts by direct verification under proper audit supervision at least annually. Confirm savings accounts with balances regularly. Audit tellers' cash periodically.

Thoroughly investigate all customer complaints. Carefully scrutinize the daily overdraft.

Good audit controls are especially necessary in banks with deferred posting systems to avoid lapping deposits or withholding checks.

Know the financial standings and living standards of each employee. Require financial statements and lists of outside business activities of people in key positions. Insist on continuous vacations. Make sure that employees in positions where they can initiate transactions don't have access to customers' accounts after hours. Rotate tellers periodically.

Accounts of employees, if held by the employing bank, should be kept

Opening NABAC session, *from left,* Courtney Evans, of FBI; Federal Reserve Governor James L. Robertson; Comptroller of the Currency Ray M. Gidney; NABAC's executive director F. Byers Miller; John F. Watlington, Jr., president, Wachovia Bank & Trust Co., Winston-Salem, N. C.: NABAC 1955-56 president, Robert F. Goodwin, Wachovia comptroller; Hulbert T. Bisselle, president, Riggs National Bank, Washington; Erle Cocke, incoming president, A.B.A. and vice-chairman of board, Fulton National Bank, Atlanta; Clarence H. Lichtfeldt, vice-president and comptroller, First Wisconsin National Bank, Milwaukee, and director of NABAC School

under separate control and subjected to special scrutiny. Provide facilities for emergency loans to employees.

"And," concluded Mr. Sloan, "last but not least, pay a living wage."

Loan Department Control in a Small Bank

JOHN D. HOSPELHORN, Maryland's Deputy Bank Commissioner, offered these pointers on control of a small bank's loan department:

The department must be adequately staffed. Many employees in so-called medium to small banks are overworked, and in consequence errors of omission and commission occur. Also, the staff may become discontented—and that hurts public relations.

Assuming that the department is properly staffed and that the bank does not have a full-time auditor, Mr. Hospelhorn suggested that a junior officer or key employee other than loan personnel should inspect all new and renewal notes at the end of each day, and that the notes be checked against the directors' record of approval or discount committee's records. See that the notes are properly executed, test check the interest calculations, and follow the income items into the note teller's settlement sheet.

Check collateral and keep it under joint control. It's essential that all substitutions of collateral be recorded carefully and that releases be signed for to the bank by the borrower.

At frequent intervals complete trial balances should be pulled from all note accounts by someone other than the note teller. An officer should direct and supervise this work.

If volume is large, particularly in personal or consumer loans, a special officer should be assigned to supervise the department closely.

Mr. Hospelhorn also recommended

Steve H. Bomar, vice-president and treasurer, Trust Company of Georgia, is NABAC's new president. First vice-president is Franklin D. Price, comptroller, First National Bank in Dallas; second vice-president, M. H. Gibson, vice-president, Citizens State Bank, Sheboygan, Wisc.; treasurer, Donald J. MacDonald, auditor, The Northern Trust Co., Chicago. Pictured, *from left*, NABAC's executive secretary, Darrell R. Cochard; past president Robert H. Shepler, vice-president, Denver National Bank; and Messrs. Gibson, Bomar, Price and MacDonald

Making the Job Easier at the Small Bank

HERE'S a synopsis of the "gimmicks, techniques and forms" panel for small banks, presented by Charles D. Coen and John H. Thode of the NABAC staff. They shared the results of a "What's New?" survey conducted by the association among its members during the summer.

Charge to Checking Account. Adapting the Bond-a-Month plan, some banks collect instalment loan payments through authorized automatic charges to the borrower's checking account. The Bank of Davis, Calif., says this procedure not only reduces delinquencies, but has led to numerous personal checking accounts.

Signatures. The American National Bank and Trust Company of Danville, Va., devised a gummed label which each new depositor signs when his account is opened. The label is fastened to the ledger sheet where it serves as a specimen until the bookkeeper is familiar with the signature.

Coding. "Some banks have been reluctant to change to the cycled statement system because of the anticipated necessity of segregating their personal and business accounts, forcing an additional sort in the daily proof operation," said Messrs. Coen and Thode. "Some avoid the problem by color coding, using one stock for cycled statements and a different stock for end of the month sheets. If addressograph plates are used for imprinting customer names and addresses, the plates should be housed in separate files for the cycled and end-of-month statements thus eliminating a selection problem that is inherent in the single file."

Trust Form

Trust Ledger. The First National Bank of Greenville, S. C., has developed a trust ledger form consolidating the income cash, principal cash, and corpus ledgers into one record, thereby avoiding the necessity of posting and reference to three separate records.

Account Analysis. The Frst National Bank of Cambridge, O., takes advantage of the distribution facilities of its proof machines to break down its checking and savings accounts by size or other groupings for analysis purposes. The classification symbols are placed on the sort keys with transparent tape, and the bank gets the information, by dollar amount and number of accounts, in a single run. A similar procedure could be used for loan classification purposes.

Many Records on One Card

Safe Deposit. The First National Bank of Holly, Colo., has an inclusive safe deposit form. On both sides of a 4¼" x 11" card, it provides these records: safe deposit agreement and rules; rental agreement and contract; signature record of renter and/or deputies; customer's name, box number and address tickler record by month for rentals coming due; record of rentals paid; customer access record by date, time and signature; box release agreement.

Farmers Bank of Frankford, Ind., has a safe deposit rent-due form notice, prepared in triplicate by plate. In addition to the usual name and address data, it also includes the billing information on the plate, thus avoiding hand typing.

Supervisors' panel is introduced by Harry W. Filson, assistant comptroller, City National Bank and Trust Co., Kansas City, Mo.

that original notes be photographed as a permanent record.

Reviewing Audit Programs

COMMENTING on the internal audit program, Neil G. Greensides, Acting Assistant to the chairman of the FDIC, noted that although self-examination is weak, it's better than none. One weakness is a tendency to consider the audit in terms of percentages — that is to be satisfied with a 75% completion at a year-end. Another tendency is to emphasize the built-in features of the program. Don't overaudit one department at the expense of another. And watch for breakdowns or breaches in policy or procedure.

"It Couldn't Happen in Our Bank"

L. A. JENNINGS, First Deputy Comptroller of the Currency and panel moderator, said so much emphasis is being placed on the prevention or detection of defalcations that "other highly important values have been understressed." Many bank managements refuse to believe that any of their employees could be guilty of peculation, and therefor are not convinced audit and control procedures are worth the time and cost. This is "particularly true of smaller banks where the personnel have known each other almost from birth."

Mr. Jennings urged greater stress on more efficient and accurate operations, and on a reduction of internal personnel problems. Too many bankers "still look upon auditing and control procedures as simply police functions having no corollary value."

The supervisory men agreed that their agencies can't be expected to audit banks, even though they occasionally do some auditing if their "sixth sense" says "Something's wrong here."

Government-CPA Exams

MR. HOSPELHORN believed it practical to integrate the work of governmental examiners with a CPA audit on specific examinations, provided a confidential program for this procedure could be worked out.

"We are now in the midst of undertaking such a program with an auditing firm in one of our rural banks which has resources of perhaps $12,000,000," he said. "Our examiners and the certified public accountants' staff will meet at the bank at a zero hour. We propose to take charge of the cash, bank accounts, investments and the taping of the loan portfolio. We will certify as to the accuracy of the cash, the deposit accounts, the clearing house items, cash items and the investments to the certified public accountants.

"After the notes are taped by us, we propose to flip them for our information, which is the usual procedure, and then turn them over from our control to the CPAs who will then follow through with the positive verification of all such instruments, together with a check of all collateral, and on the liability side of the statement of this bank, the certified public accountants will be fully responsible for the positive verification of all deposits and other liability accounts.

"If the time element is not too expensive from our departmental point of view, we hope this procedure can be developed further, for in our judgment such an endeavor would reduce the cost of a full-scale audit program materially."

Continuous Controls in the Small Bank

THE key to an economical and sound continuous control program is a well-planned, tightly co-

(CONTINUED ON PAGE 126)

The Safety of Banks

A CHALLENGE frequently presented to bank officers in this organization concerns the protection of depositors' money from defalcation and embezzlement. Your work in this area, in my opinion, is one of the most important aspects of banking public relations today. All our efforts to cultivate public understanding through efficient and comprehensive service can be destroyed if the confidence of people in the safety of our banks is impaired.

We have come a long way since the record of the 1920s and early 1930s. Yet our job of preserving the confidence of depositors is still not done because every now and then a bank fails as a result of a defalcation or embezzlement. Our goal should be to reduce the record of such occurrences to absolute zero. — ERLE COCKE, *incoming president of the American Bankers Association, to the NABAC convention.*

Students at Inter-Agency Examiners' School, conducted in Washington by "Fed," Comptroller's Office, and FDIC, attended a NABAC session. Here they inspect an equipment exhibit

Phone Phoomphs

By DICK ERICSON

How to Use the Phone in Such a Way as to Lessen the Number of Your Friends

If the phone rings while you're talking to someone, lift it off the hook and finish your conversation

Always answer the phone with a cheery "hello." Don't bore people with your name and department

When talking on the phone, shout! The other fellow may be deaf

Let the phone ring a few times before answering it; it makes you seem more important

Keep a cigarette or something in your mouth when you're on the phone. It's relaxing

Don't worry about holding the phone in front of your mouth. Your caller will hear somehow

If it will take a while to get information, just tell the customer to hang on

Never mind that "press and release" business. When you want the operator, jiggle the thing like mad

Protect your ears by hanging up before the customer does

If you want to interrupt someone talking on the phone, speak loudly, so he can hear you

REVOCABLE TRUSTS in Estate Planning

Their Advantages for Obtaining Various Testamentary Objectives

WILLIAM J. BOWE

The author is Professor of Law at the University of Colorado, Boulder. He has written previously for BANKING, *having contributed four articles on estate planning in August, October, November, and December, 1955. He has practiced law in New York and was until recently, Professor of Law at Vanderbilt University, Nashville. He has been active in the American Bar Association and is the author of a number of books on estate planning.*

THE revocable trust has long been one of the most useful tools in the estate planner's kit. It has no tax consequences; no income tax is shifted, no estate tax avoided, no gift tax incurred. For tax purposes its existence is ignored, but for many other purposes it is recognized as a completed lifetime transfer, and for this reason it offers many advantages as a vehicle for the disposition of wealth when used as a will substitute, without sacrificing the usual will advantages.

In creating a revocable trust the estate owner, during life, transfers securities or other property to a trustee who thereafter manages, invests, and reinvests the capital, collects the income, pays the expenses, keeps the necessary books, and generally assumes all the details incident to the ownership of property. The powers and duties of the trustee may be as broad or narrow as the estate owner wishes. The trust agreement will provide for the distribution of the income and for the disposition of the principal at the estate owner's death. He will usually direct that the income be paid to him during his life and at his death the capital be paid to those whom he wants to inherit his wealth. Since the trust is revocable, it may be amended or changed at any time. Thus the trust does not in any way change the economic position of the owner, since he may cancel the arrangement at any time and get his property back.

Its advantages are enumerated below. Of course, no estate owner will be interested in all of these objectives, but any one or two of them may have sufficient appeal to cause him to want to use this technique for the ultimate disposition of his estate.

(1) Choice of state law more favorable than the laws of his own state.

(2) Protection against attacks on the ground of fraud, duress, undue influence, lack of testamentary capacity.

(3) Avoidance of restrictions on charitable bequests.

(4) Avoidance of statutory requirements governing the forced share of a surviving spouse.

(5) Elimination of the cost, delays, and publicity of probate proceedings, and assurance of uninterrupted management of his assets.

(6) Avoidance of court control.

(7) In many jurisdictions, preservation of the estate from the claims of creditors.

Choice of Law. Property passing by will is subject to the laws of the state of the decedent's domicile. Thus, in New York a testamentary trustee may not accumulate income except for the benefit of minors. In nearby New Jersey accumulations are permitted for lives-in-being and 21 years, the period of the rule against perpetuities. It may be desired to provide for discretionary accumulation powers because of the income tax advantages. Here the estate owner need only set up his trust in New Jersey and the validity of its provisions will be governed by the laws of that state.

Protection Against Attack. In a very real sense the will invites attack on the grounds of fraud, undue influence, duress, lack of testamentary capacity. On a decedent's death his will is filed with the court and, in many jurisdictions, those who would take, if the will is invalid, are cited to show cause why probate should be refused. In all jurisdictions the expectant beneficiaries watch for the filing with anxious eyes. The occasion for contest is created. On the other hand, no one knows of the creation of a revocable trust other than the trustee and the estate owner. On death, the gifts are accomplished facts and the time element and absence of formal ex-

ecution requirements, as a practical matter, shelter the trust from attack. While, in theory, the validity of the trust may be questioned, in fact, it is rare to have these revocable lifetime transfers upset.

Avoidance of Restrictions on Charitable Bequests. The laws of many states place limitations on charitable bequests. Sometimes the amount that may be left by will to charity is limited to a stated percentage of the estate, 25% or 50%. In other states, all bequests are void if the will was executed within 90 days or six months of death. Still other states use a combination of these restrictions. For example, the statute may make all bequests void if the will was executed less than 90 days before death, and, without time limitation, may forbid any excess over a stated percentage. Since the revocable trust is a lifetime transfer, courts generally hold that these statutory restrictions do not apply. City Bank Farmers Trust Co. v. Charity Organization Soc'y. of New York, 238 App. Div. 720 (1932).

Surviving Spouse's Forced Share. Practically all states provide that the surviving spouse may elect to take a stated percentage of the estate against a will. The objective here, of course, is to prevent the disinheritance of the spouse by omitting her from the will. With the elimination of dower in many jurisdictions, the wife would be without property protection unless some restrictions were placed upon the husband's complete freedom of testamentary disposition. But unfortunately the rule may operate to the disadvantage of a surviving spouse. Thus, in most states, the wife may take her intestate share outright, if she prefers. Many a husband, motivated by the desire to protect his wife against her own indiscretions, wants to put her share in trust. This will relieve her of the burdens of property management and free her from the money requests of relatives and the harassments of those who want to invest her assets in the once-in-a-lifetime opportunities that seem to be available every day. But, if the widow lends an ear, shortly after her husband's death, to these likely advisers or borrowers, she may disrupt his entire plan by taking her intestate share outright. The revocable trust, with some additional requirements, will frequently solve this anticipated difficulty.

Some states have held that the purely revocable trust will insulate the property from her claims. Kerwin v. Donaghy, 317 Mass. 559 (1939). Others, perhaps the majority, treat the trust assets as though they were part of the estate for the computation and payment of her intestate share. Newman v. Dore, 275 N. Y. 371 (1937). But it is believed that the trust will withstand invasion if the power to revoke requires the consent of another, such as the trustee or other disinterested person. While perhaps safer, it is not believed that the consent required must be of one with a substantial adverse interest. In jurisdictions where the purely revocable trust will not accomplish the objective, a study of the comparable income and estate tax cases will suggest restrictions, which, while they may fail taxwise because of the present detailed tax legislation, should be adequate to prevent a surviving spouse from disrupting the decedent's estate plan.

Avoidance of Probate Proceedings. Many estate owners want to avoid the publicity attendant on probate. The will and the inventory of assets are open to the curious. The trust and its holdings remain buried in the vaults of the trustee. Further, there is no interruption in the management of the assets and the flow of income. Investments contemplated on Monday are made Tuesday, whether the decedent dies or lives. Income payable on the first of each month goes to the decedent if alive, otherwise to the next taker. Compare this with the interruption that death causes because of (1) the delay in probate; (2) the appointment of a new estate manager, unfamiliar with the estate holdings; and (3) the period of time before any steady flow of income can be made available to the family. In addition, executors' fees are eliminated and attorneys' fees substantially reduced, since no transfer of assets is necessary.

Avoidance of Court Control. Many, if not most, living trusts are created, administered, and terminated without ever coming under the supervision of a court, with a considerable saving in expenses. On the other hand, the testamentary trust has its origin in court, with the court formally appointing the trustee. He, of course, will be the one designated by the decedent, but he comes under the eye of the court, to whom he is accountable and whose permission he must seek to resign or to distribute and be discharged. The extent of court supervision will vary widely in different states, but the noncourt trust is generally regarded as less costly to administer and terminate.

Claims of Creditors. In a number of jurisdictions, creditors cannot reach the assets of a revocable trust after the death of the estate owner. While in most cases this will not be an important consideration, it may occasionally carry some weight in the choice.

Costs

The revocable trust will cost less than the creation of a testamentary trust. Fees vary widely throughout the country, but a 3% executor's fee and 3% attorney's fee may be safely assumed as most conservative in a $150,000 estate. Trust fees, assumed for illustration at 7% of income with a possible termination fee, are the same whether the trust is created during life or by will. Using the above figures, the cost of creating a testamentary trust of $150,000 will be about $9,000. If a living revocable trust is created there will generally be no initial fee, and 7% of an estimated income of $6,000 will be $420 per year. Since the fee is deductible under Sec. 212 of the code, net cost will be considerably less; $210 if the estate owner's top bracket is 50%. At death there will be no fee corresponding to the executor's commission. Attorneys' fees in a reduced amount, perhaps half, may be incurred, since the trust will be part of the tax estate, though not part of the probate estate. But the savings should run to about $6,300 in the average case. To have the living trust cost as much, the estate owner would have to live 30 years (30 x $210) and, if he does, he will have had the benefit throughout the long period of expert investment management and excellent record keeping.

Qualifying the Trust for the Marital Deduction

The revocable trust may be used

(CONTINUED ON PAGE 149)

1956 U.S. SAVINGS SURVEY

Interest Higher but Growth Slower

THIS report is based upon replies received on the 1956 Savings Questionnaire, which was mailed in August to a representative list of 4,200 banks throughout the country to obtain up-to-date information on important savings activities and trends. A total of 1,727 banks replied by the closing date of September 1, 1956, and the information has now been tabulated by the IBM Service Bureau in New York.

It is important to note in studying the results that the tabulation represents an individual tabulation for each individual question and does not relate any one question to the total number of all questionnaires returned. In this way, complete accuracy is assured and true ratios obtained.

In the case of "yes" or "no" answers which appear in the survey, it again represents a tabulation of the replies for that individual question. Not all banks replied to all questions. and if at times the results appear to be discrepant with a preceding or following question, this is the reason. The figures are correct for the replies to each separate question.

The highlights as revealed by this survey are presented in addition to the tables which set forth the results.

EVERETT J. LIVESEY, *Chairman*
Committee on Savings Management and Operations
American Bankers Association

Commercial Bank Highlights

(1) *Growth in Savings*—Deposits continued to be received in large volume, but there was a pronounced decline in the rate of gain. Savings deposits in commercial banks increased 3.23% in 1955, as against 7.65% in 1954. This tendency toward a lower rate of growth continues in 1956, as evidenced by gains at the annual rate of 3.45% for the period ending June 30, 1956.

(2) *Average Size of Account*—The average size of savings accounts in commercial banks declined in amount in 1955 to $858. The average size in 1954 was $1,093. This no doubt reflects an increased participation in savings activities by banks in smaller communities evidenced during the year.

(3) *Deposit Rate*—The tendency for a heavy volume of deposit and withdrawal activity continues. Deposits in commercial banks were at a rate equal to 52.46% of their total savings accounts, which is an increase from 48.53% in 1954. This large volume is somewhat offset by a corresponding increase in the rate of withdrawal transactions.

(4) *Withdrawal Rate*—The volume of withdrawal transactions amounted to 49.68% of total savings accounts held, up approximately 4% for the year. The increased volume of withdrawals is about equal to the rate of increase in deposit transactions.

(5) *Turnover of Deposits* — The turnover of deposits, being the ratio of withdrawals to the average size of the deposit liability, increased in 1955 to 46.57%, up from 45.90% in 1954.

(6) *Withdrawal Ratio* — A most significant indicator of growth, activity, and costs of savings operations is reflected by the withdrawal ratio (the amount of withdrawals in relation to the amount of new deposits received). In 1955 withdrawals totaled 94.02% of deposits, up from 92.21% in 1954; 90.54% in 1953; and 86.51% in 1952. This high withdrawal rate is a warning of a very important need to approach the promotion of saving from a little different angle. For every $100 deposited in savings accounts in commercial banks, $94.02 is withdrawn! This means very slow forward progress. The major task to overcome this trend is for much greater emphasis to be placed on holding deposits, once they have been made, to encourage real and lasting thrift, and to seek to build up savings accounts once the start toward saving has been made. This means education in the value of building up and adding to savings accounts, encouraging depositors to save for the future, and discouraging the use of savings accounts as a convenient place to accumulate funds for frequent purchases. Such a heavy volume of withdrawals not only means slow forward progress in the saving business but also adds greatly to the costs of managing and operating savings accounts.

(7) *Closed Account Ratio* — An analysis of the closed account ratio shows an improvement in 1955, and

also reveals a larger number of smaller accounts. In 1955 the ratio of new accounts opened to those closed was 86.69%. In 1954 this rate was higher at 89.45%, an additional indication of more accounts but with smaller balances.

(8) *Interest Rates*—The average cost to commercial banks of interest paid on savings accounts is reflected in the "effective interest rate" paid, the ratio of the amount paid to the deposit liability. In 1955 the effective rate was 1.73%, up from 1.44% in 1954, reflecting the general tendency among banks to pay higher rates on savings accounts.

There was a definite trend toward higher rates of interest for savings accounts during the year. Of a total of 1,189 commercial banks answering this question, 164 indicated a rate of 2½% and 636 a rate of 2%. The predominant rates in 1954 for most banks were 1% and 1½%.

Semiannual payments of interest continue to be the most popular method of payment, and a majority of banks continue to start payments from the first of the month following the day of deposit.

(9) *Certificates of Deposit*—There has been a great increase in the number of banks offering certificates of deposit. Of 1,265 banks replying to this question, 926 are offering certificates. The money market in recent months has altered the approach to certificates for many banks, resulting in changes in policies and terms.

(10) *Activity Charges* — About one-third of the banks replying place some form of activity charge on savings accounts, but there is no uniformity of purpose for which these charges are made. Most prominent is a charge for over-activity in withdrawal transactions.

(11) *Club Accounts* — Christmas Clubs continue to have a dominant place in bank savings plans, followed in popularity by Vacation Clubs.

(EDITOR'S NOTE: *Several tables, in addition to the two printed here, are included in the complete report as published by the Savings and Mortgage Division.*)

Mutual Savings Bank Highlights

(1) *Growth in Savings*—Deposits in mutual savings banks continued in volume during the year, although the percentage of gain in relation to deposits was lower—at 6.95% in 1955 as against 7.98% in 1954. This decline continues in 1956, with the indicated annual rate at June 30, 1956, of 6.68%.

(2) *Average Size of Account*—The average size of savings accounts in mutual savings banks increased in amount in 1955 to $1,741. It was $1,665 in 1954.

(3) *Deposit Rate* — Deposits re-

(CONTINUED ON PAGE 148)

Commercial Bank Data

	1955	*1954*	*1953*
Growth in savings deposits (Rate of deposit increase)	3.23%	7.65%	7.37%
Average size of account (Total deposits, divided by the number of accounts)	$858	$1,093	$1,060
Deposit rate (Annual deposits as a % of total deposit)	52.46%	48.53%	49.41%
Turnover of deposits (Withdrawals as a % of the average amount of total savings deposits)	46.57%	45.90%	46.12%
Withdrawal ratio (Amount withdrawn as a % of amount deposited)	94.02%	92.21%	90.54%
Closed account ratio (Accounts closed as a % of accounts opened)	86.69%	89.45%	91.11%
Effective interest rate (Total interest paid as a % of total on deposit)	1.73%	1.44%	1.39%

Mutual Savings Bank Data

	1955	*1954*	*1953*
Growth in savings deposits (Rate of deposit increase)	6.95%	7.98%	7.85%
Average size of account (Total deposits, divided by the number of accounts)	$1,741	$1,665	$1,568
Deposit rate (Annual deposits as a % of total deposits)	32.55%	29.36%	29.37%
Turnover of deposits (Withdrawals as a % of the average amount of total savings deposits)	26.92%	25.10%	25.0 %
Withdrawal ratio (Amount withdrawn as a % of amount deposited)	85.62%	82.20%	82.02%
Closed account ratio (Accounts closed as a % of accounts opened)	84.13%	89.25%	88.38%
Effective interest rate (Total interest paid as a % of total on deposit)	2.67%	2.38%	2.29%

G.S.B. Students' Reports to Management

Procedure Helps the Bank, the Men, and the School Faculty

A SURVEY of banks sending men to The Graduate School of Banking shows an increasing trend toward having the students report on their work to top management—with beneficial results to all concerned.

Dr. E. Sherman Adams, director of the School and deputy manager of the American Bankers Association, which sponsors it, wrote the presidents of all banks with men at G.S.B., calling attention to this practice, asking for appraisals of its value, and suggesting that the procedure, if not followed now, be seriously considered. He pointed out that the plan had "obvious advantages" to management, students, and faculty.

The presidents agree with Dr. Adams' observations that the procedure gave them "an opportunity better to evaluate" their men and the extent to which they are benefiting from their education; that it enabled the banks to derive "maximum return" on their G.S.B. investment; and that it provided the men with "a strong incentive to make the most of their time at Rutgers."

Numerous presidents said that although they had not asked their students to report, they planned to do so.

In his letter, written just before the 1956 resident session at Rutgers, Dr. Adams said:

"We have had reports from a number of banks which have instituted such a procedure and all of them are pleased with the results. We also know from observation that students who know they are to report back to their banks are unusually conscientious and attentive. This contributes to the morale of the School and inspires the members of the faculty to put forth their best efforts."

Reports Reach the Top

The replies from banks which thus keep in touch with their student officers indicate that the reports are usually made to the president, the board chairman, groups of officers, or to various combinations of these management representatives. In some banks the entire board hears the G.S.B. man's account of his experience at Rutgers. In a few cases the president said he consulted with his students concerning the theses which are required for graduation.

Some follow closely the progress of the men because, as one bank president put it, "I want to know what material is being given them by the instructors and also what they have succeeded in gaining from the instruction.

"On this basis," he added, "I think our method might be called a running audit rather than one final checkup."

This banker's further comment pointed to immediately practical results from work at the School.

"I have found," he said, "that our students, knowing of my personal interest in their work, have been very pleased to make frequent reports to me and this has resulted in real benefits both to them and to myself. One of our men who is now taking Savings Management at the School recently brought me one of his papers after it had been returned by his instructor, on the subject 'Mortgage Servicing Operations of the Bank.' In reviewing this paper I found that it included several ideas for improving our servicing which the student had not brought to my attention previously. The paper provided an excellent basis for further discussion as to which of these suggestions could be put into effect and which ones I felt were impractical."

Another banker, expressing satisfaction with the procedure, added: "Top management here has also got a good deal from the splendid work which you are doing at Rutgers."

One Virginia president thus outlined the operation of the plan at his bank:

"Each year when our three students return from the summer session of the School we devote one or more meetings of our officers to the reports which these men make. Following the reports we generally have discussions, especially from the former graduates of the School who are asking questions so that they can be brought down to date.

Begin with Freshman

"We begin the discussion with the freshman. We give him an opportunity to tell us his impressions of the School, his observations about the courses, and the lectures he has enjoyed most. We then have the junior and senior members report. We have been fortunate, for the past few years, in having one of our officers in each class.

"As each senior finishes his thesis, he usually has extra copies which are passed around for the officers to read."

Provides Incentive

One banker probably spoke for many when he said: "We adopted this procedure some time ago and not only found it helpful to us in evaluating our men, but also in providing them with a strong incentive to do a good job. We think this procedure has produced excellent results and heartily recommend it."

A Study of the Law of Trusts

Second Edition of Scott's Work Is Outstanding

THE law of trusts is, to say the least, a very complicated and highly technical subject, requiring a deep understanding of the entire body of the law and skill in its application to any given set of facts.

It could not be otherwise. Its history dates from the early 13th century in England, when "uses" (a device wherein lands were conveyed to be held for the use of another) came into existence, down through the development of the unique English system of equity, to the present time. There are thousands of statutes, in every state of the United States and in England, and many thousands of cases on trusts.

To bring any order to such a mass of material is a monumental task. That task has been performed with uncanny ability and insight by Austin W. Scott in the second edition of his famous treatise on trusts. (*The Law of Trusts,* Second Edition. By Austin Wakeman Scott. Little, Brown & Co., Boston, Massachusetts. 5 volumes, 4,056 pages. $100.) Professor Scott has certainly, in his unique handling of the subject matter, helped to disprove Charles Macklin's observation that "the law is a sort of hocus-pocus science. . . ."

Professor Scott at G. S. B.

The Prime Authority

When the first edition of Professor Scott's treatise appeared in 1939, it was welcomed by attorneys, trustmen, and laymen who had an interest, directly or indirectly, in the administration of trusts. Since that date, "Scott on Trusts" has become known as the outstanding work on the subject in the entire world. "Scott on Trusts" has been cited by all of the highest courts in the land, generally favorably, but always on the basis that the author is the recognized authority in the field.

Professor Scott, convinced that the law of trusts is living law, found that a new edition of his treatise was required to bring together the great number of statutes and the far greater number of cases that have been enacted and decided since 1939. The fifth volume of this edition of his treatise proves his thesis that it is living law, for that volume is devoted solely to a table of cases, which takes 357 pages; a table of statutes in England and all 48 states of the United States, which takes 41 pages; and a new and expanded index covering 210 pages. "Scott on Trusts" not only is a monumental compilation of material, but Professor Scott has spent many hours in the preparation of the tools to make it more useful to its readers. The treatise covers the body of the law of trusts, and the index, the table of cases, and the table of statutes makes it easy to find the law.

"Scott on Trusts" is conveniently divided into 13 chapters, with 552 sections. The sections correspond to those of the Restatement of Trusts which he is revising as reporter to the American Law Institute's Committee on Trusts.

Professor Scott's introduction to the law of trusts is a fascinating chapter which is a review of the historical development in England and the United States. For a man beginning in the trust field, whether as an attorney or as a trustman, it is required reading and will certainly stimulate his curiosity to the point where additional reading will be sought. To the attorney or skilled trustman, it is a delightfully refreshing review. To a layman, it is a "bird's eye" view of one of the great achievements of the Anglo-Saxon mind.

He begins with a chapter of definitions and distinctions, followed by the actual creation of a trust, the trust property, and the trustee. In Volumes II and III he centers his attention on the beneficiary, the transfer of the interest of the beneficiary, the administration of the trust, liabilities to and of third persons, and the termination and modification of the trust.

In Volume IV he deals with the increasingly important charitable, resulting, and constructive trusts.

The Author

Professor Scott is known to practically every attorney in the country through his long professorship at the Harvard Law School, the great number of articles that he has written in law reviews and other legal periodicals, for his work as a reporter for the first Restatement of Trusts, and for the first edition of his treatise.

He is well known to trustmen over the country for these reasons and also for an additional reason. In 1935 a group of men met at Rutgers University and founded what is now known throughout the country as The Graduate School of Banking. Professor Scott was a member of the original faculty of that school, and he has lectured there every year since, with the one exception of the year 1954, when he served as visiting professor at Oxford.

More than 600 trustmen in those years have studied under him and heard from him about trust law. To them and to hundreds of their associates, Austin Scott not only is a man renowned in his own field of trust law but is a living source of inspiration.

GOVERNMENT BONDS

The Market Paradox . . . No Change in the Business Outlook . . . Demand for Credit Increases . . . Loans Continue to Rise . . . OMC Does Little . . . Bills Go above 3% . . . Cash Financing of the Shortest Term

MURRAY OLYPHANT

THE behavior of the market for Government securities has lately been paradoxical, in a sense. Despite the evidence of continuing business volume at a high level, the certainty that the supply of credit was inadequate to meet the demand, and the continuance of a full and competing supply of new corporate and municipal obligations, the market for Government issues showed considerable improvement. From the $2\frac{1}{4}\%$ bonds 1962/59 to the $2\frac{1}{2}\%$ bonds 1972/67 prices were up from $\frac{5}{8}$ to $\frac{7}{8}$, while the two longest issues ($3\frac{1}{4}\%$ bonds 1983/78 and 3% bonds 1995) rose 18/32 and 12/32 between August 31 and October 1. There were minor setbacks after some of the rises, but this was subsequently offset by further improvement.

Market Won't Be Discouraged

Explanations of the refusal of the market to be discouraged by the apparent economic outlook, which seemed to assure continued tight money, were varied and probably all combined to produce the result.

First and foremost, this is a Presidential election year, and the opposition was felt to be making more headway than had been anticipated and was regarded as a possible threat to the maintenance of sound money policies.

Second, the stock market decline was felt to be an indication that the speculative fraternity was taking in sail, awaiting developments and perhaps not fully crediting the business outlook as wholly optimistic.

Third, from time to time rumors were circulated that there might be a change in the rediscount rate, more specifically that the requirements of the central Reserve city banks in New York and Chicago might be lowered in line with the requirements for the banks in the Reserve cities.

Fourth, the technical position of the market was such that any drying up of offerings and the slightest evidence of any buying interest was enough to produce changes in prices disproportionate to any actual volume of transactions. The market was, at all times, so "thin on both sides" that this could hardly fail to be the result.

"Sound Dollar" Battle

Politically a real battle is going on. The incumbent Administration is committed to the maintenance of a "sound dollar" by the prevention of credit inflation. This means that the cost of credit cannot be allowed to decline. The would-be incumbents give lip service to the proper objectives but complain of "tight" money and make promises which could only be made good by increasing the money supply, which would be definitely inflationary.

To think that the Federal Reserve authorities might give consideration to any lowering of reserve requirements was, and is, equally illogical under present circumstances. To do so would be directly contrary to the policies which they have been consistently pursuing.

Some Have Fingers Crossed

Nevertheless, markets are the result of opinions as well as of technical and economic considerations, and the action of the market during recent weeks has seemed to show that, in spite of the apparent excellence of the economic outlook, there were those who had their fingers crossed from both a political and economic standpoint.

Fourth Quarter Outlook

What the apparent outlook seemed to be is briefly outlined in the following comment:

"The prospects for a strong fourth quarter have been confirmed by recent business developments."

This quotation from one of the most widely read and conservative monthly reviews of business conditions is followed and justified by a detailed study of the various business factors.

The steel industry—back to 100% of capacity within five or six weeks after the strike settlement; the early presentation of the new 1957 automobiles; continued plans for business modernization and expansion; increases in nonresidential construction; home building continuing at a good, although slightly lower rate; the highway program just getting under way—all these indicate that the demand for capital and credit has every prospect of continuing well into 1957.

Demand Exceeds Supply

Certainly at the moment the demand for credit continues to exceed the supply, and, as has been the case so far this year, there is no prospect of an increase in the supply. Such an increase could come only from a change of policy on the part of the Federal Reserve authorities, but they are quite obviously and proper-

	Average Cost	*Taken by Dealers*	*Later Prices*
Aug. 30	2.74%	$386,000,000	2.70%—2.67%
Sept. 10	2.77%	$411,000,000	2.80%—2.78%
" 17	2.91%	$340,000,000	2.93%—2.90%
" 24	2.92%	$378,000,000	2.96%—2.94%
Oct. 1	2.89%	$500,000,000	2.87%—2.84%
" 8	3.01%	$313,000,000	....

ly chiefly concerned with the prevention of inflation and the maintenance of a "sound dollar." True, they are in a position to add to the credit supply, but only where the provision of such credit will have the result of increasing the available supply of goods.

Cheap Credit Unlikely

It is felt the Federal Reserve will provide what is necessary, but it is a reasonable presumption that the cost of such credit will not be allowed to become any cheaper and that it is quite possible it may be more costly.

That the expected increase in loans in the fourth quarter would take place was indicated by their rise during the month of September. From August 29 to September 26 the commercial and agricultural loans of the reporting member banks rose by $584,000,000. Real estate loans were up $64,000,000, while consumer loans declined $57,000,000. The last will probably run up sharply when sales of the new 1957 automobiles begin.

During September the reporting member banks sold about $488,000,000 of Government securities and made only a very small addition to their holdings of "other" securities, in spite of the increased income attractiveness of the spate of tax-free issues available.

For the whole period from August 29 to October 1 the Federal Reserve showed little change. There were moderate sales or purchases from week to week, but for the period the portfolio increased only $42,000,000.

At mid-month a cash payment of $982,000,000 of 2¾% bonds on their maturity, as well as the usual bulge in the float, provided an addition to bank funds which permitted the OMC to dispose of some bills, but this was offset by some purchases over the Labor Day period and again on the month-end.

On the whole, and rather surprisingly in view of the market for Treasury bills, repurchase agreements were kept within moderate limits for the entire period. Nothing which the OMC did gave any justification for believing that any change in the Federal Reserve policy of keeping a firm checkrein on credit was in for any change.

Treasury Bills' Sales Changes

The weekly sales of Treasury bills for September showed the changes recorded in the table at the top of this page.

In the sales on September 17 and 24 some bills were actually awarded to bidders at 2.97% and 2.99%, respectively, but in the following week the average cost dropped slightly to 2.89%. The Fed has only to drop a hint that it will do a little buying. It is worth remembering that the Fed has only a little more than $700,000,000 of bills in the portfolio and probably should have more.

New Cash Financing Likely

For the month of September the excess of deposits over withdrawals was about $1¼-billion. The balance in the general fund of the Treasury was nearly $6.6-billion at the end of the month. Nevertheless prospective deficits for October and November were estimated as large enough to require new cash financing by the Treasury. As much as $3-billion was thought to be needed before the flood of tax payments in the first quarter of 1957 commenced.

Normally the need would have been met by the sale of tax anticipation certificates maturing in March or June 1957. But the 2¾% TACs maturing on March 22 had declined to a point where the yield to maturity was 3.14%—more if used to pay taxes on March 15. The 2⅞% notes maturing on March 15 could be bought to yield 3.16%. Treasury bills for a 91-day period had sold at a yield of well over 2.90%.

It was generally felt that the Treasury was unwilling to pay more than 3% for any new issue, so that it was quite obvious that the new financing would have to have a very short maturity.

Prior to the actual new offering, there had constantly been suggestions that now was the time to increase the amount of Treasury bills outstanding, as the Federal would then be in a position to add, if necessary, to its meager holdings of the only type of Government issue in which the OMC is presently allowed to deal—in other words to stabilize the market below the 3% level.

New Bill Decision Not a Surprise

Under the circumstances the final decision of the Treasury to offer $1.6-billion of new bills dated October 17 and maturing on January 16 was no great surprise. It was about all that could be done. When the bills mature on January 16 they might then be refunded with an issue of TA certificates due on June 22.

To assure heavy subscription for the bills from the banks, payment for allotted bills was allowed to be made by credit to the Treasury tax and loan accounts, although this privilege has never before been granted in the case of Treasury bills.

On the assumption that the OMC will be able and willing to wet-nurse the market for the new bills, it is probable that the banks will be heavy subscribers and the average cost to the Treasury of the new bills will be comfortably below 3%.

"The Government figures show the housewife spends 87% of the pay check . . . I found I was off 30% this week!"

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The Public Demands Parking Space

and Bankers Are Heeding the Demand

ROBERT L. NILES

MR. NILES, *of the New York architectural firm of LaPierre, Litchfield & Partners, wrote in October* BANKING *on the subject, "Why Are Bankers 'Going Modern'?" In August 1955 he wrote on the popularity of drive-ins.*

WITH new automobiles coming on the market at the rate of more than 20,000 each business day, bankers have been obliged to take more than a financial interest in America's greatest industry.

Whenever a bank outgrows its quarters, consideration must be given not only to enlarging the interior space but also to providing adequate parking for customers.

This is not merely a generous gesture to improve public relations, for in some communities the zoning ordinance has been amended to require every new commercial project to include private parking space in the same block proportionate to the rentable area, e.g., one car for each 400 sq. ft. of interior space.

Since real estate in established retail centers is often so high-priced as to preclude use for parking, there are only two alternatives: Either include garage space inside the building or establish an "auto bank" branch where land is cheaper.

An outstanding example of the former alternative is the 4-story public parking garage now under construction for The Bank for Savings in Manhattan (Fig. 1). The building abuts the rear of the main banking quarters, and has been so designed that the upper floors may be converted into office space to take care of the bank's future requirements. In the meantime, revenue from parking fees will pay a modest return on the capital investment.

In the case of the Morristown Trust Company, the tail wags the dog, because the main office has been moved to a large building in an undeveloped section about half-a-mile from the central square (Fig. 2), and the old quarters are retained as a branch.

A noteworthy example of an "auto bank" is the two-story building erected by the Putnam Trust Company in Greenwich only a few blocks from the main office (Fig. 3). Here there are three "drive-up" windows and a large parking area.

But whether the land used for parking be costly or cheap, it should be so laid out that customers can park their cars with a minimum of inconvenience and risk of damage.

The principles on which a practical layout are based seem simple enough, and yet they are so often violated when the planning is done

Fig. 1—Parking garage annex to The Bank for Savings in New York City. Architects: La Pierre, Litchfield & Partners

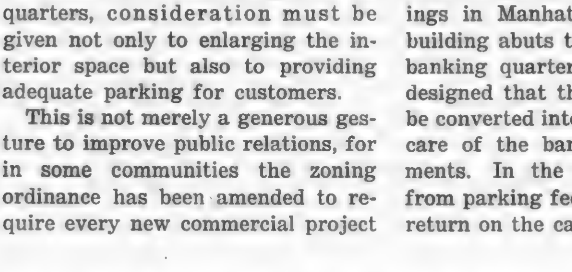
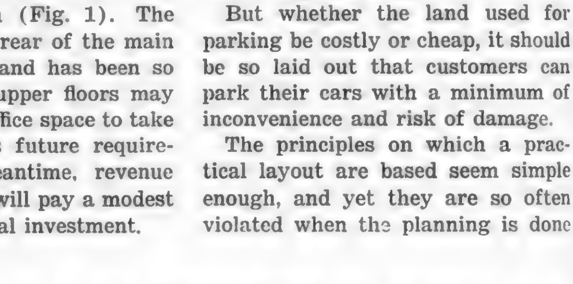


Fig. 2—Main office and parking area, Morristown (N. J.) Trust Company. Architects: Jno. H. & Wilson C. Ely



by trial and error that a listing of them in some detail should be helpful to bankers.

The main objective is to avoid congestion. What profit a man if he crowd a few more cars into a parking lot, and lose the goodwill of his customers?

Basic Principles

The plans (reproduced on page 152) showing parking facilities on three plots purchased as sites for new bank buildings illutrate the application of the following basic principles:

(1) Size of stall 6 ft. by 20 ft., with two guide lines on each side 3 ft. apart to leave room for opening doors. This allows 9 ft. for each car, and the depth of the parking strip should be 20 ft. whether 90° or 45° angles are used. Supplementing the guide lines, the use of steel buttons is recommended to warn inexperienced drivers that they are out of bounds.

(2) The end of the stall should be closed by an 8″-curb and paved strip at least 3 ft. wide, to allow for overhang. The curb should not be lower than 8″, or the wheel may mount it, and it must not be higher than 8″ or low-slung fenders will not clear, and the cushioning effect of the tires will be canceled.

(3) Whenever possible, dead-end roadways, which require 90° parking, should be avoided, and, when used, the clear width of the road must be at least 28 ft., or back-and-forth maneuvering will be necessary to get in or out of the stalls.

(4) On through roadways, with 45° stalls on one side only, a 16-ft. width is sufficient, with an 8″ curb on the opposite side, 4′ from the boundary fence or wall, to protect the rear overhang of a car backing out of a stall.

(5) The most efficient use of space is obtained when a through roadway is 22 ft. wide, with 45° stalls in a 20-ft. strip on each side. Allowing for the 3-ft. overhang beyond each parking strip makes the total width of the area 68 ft.

(6) Minimum radius of the inside curb on turns is 20 ft., but this is not usually permitted where private roadways cross a sidewalk and join a public street. Here the curb is cut at an angle of 45° with the vertical, and consequently the length of the lowered curb should be the maximum permitted (usually 25 ft.) to make the approach ramp at least 5 ft. wider, if possible, than the roadway, with the extra width on the side approached from the near lane in the street.

Fig. 3—Drive-up windows and parking lot at motor branch, Putnam Trust Company, Greenwich, Conn. Architects: Alex Kically & Patterson

(7) On an entrance driveway crossing a busy sidewalk, no stall should be located nearer than 16 ft. to the property line, so that a car backing out would not cross the sidewalk.

(8) Where there is a service lane, with delivery trucks standing parallel with the curb on one side and 45° parking on the other, the minimum width of the roadway should be 25 ft., but for two-lane traffic, without parking, the width may safely be reduced to 18 ft., provided that there is a curb on each side 2 ft. from the boundary fence or wall.

Applying the Principles

Referring now to the individual plans:

The first (Fig. 4) is for an inside plot 241′ by 194′. In order to maintain a proper balance between space for parking and space within the buildings, the latter has been kept down to about 11,200 sq. ft. and the resulting 36 stalls average about one car for every 300 sq. ft. of rental space.

In order to avoid delay to customers who are headed for the drive-up windows, a separate roadway has been provided at the rear of the lot so that they will not be obliged to traverse the main parking area. This roadway will be used also by trucks making deliveries to the bank or to the stores. All roadways are one-way.

The second plan (Fig. 5) is for an inside plot having a frontage of 163 ft. and a depth of 372 ft., with a right-of-way 60 ft. wide extending across the rear of the adjoining property to a nearby cross-road. The rental area is about 12,400 sq. ft., or 250 sq. ft. per parking stall.

In this layout, also, a separate roadway is available for the exclusive use of drive-up customers, with an escape opening into the parking area in case a driver finds all three of the windows occupied and decides to walk into the bank.

Stores Included

In both of these plans, stores have been included with the bank building, with the expectation that in the future one or more of them may be taken over by the bank to provide for expansion. In each case the bank building adjoins a one-way, two-lane, exit driveway and has three drive-up windows, all opening into the bank's working space.

(The arrangement of these drive-up windows is in accordance with the principles outlined in an article by the author which was published in the August 1955 BANKING.

Such a location on an inside plot gives the bank the advantage of a corner site.

The plot shown on the third plan (Fig. 6) is occupied by a bank building only, and is large enough so that the building has been set back from the street and at an angle to allow the front and end façades to be seen effectively from the principal avenues.

There is a second floor for rental (until it may be required by the bank for expansion) and the total interior area is 8,400 sq. ft. With

(CONTINUED ON PAGE 152)

The Country Bank Management panel at the National Association of Bank Women's 34th annual convention in Minneapolis. *Left to right*, Ruth B. Lundsten, president, The Buffalo (Minn.) National Bank, moderator; Patricia Damon, president, Citizens State Bank, Clayton, Wisc., whose topic was "Personnel"; Elsie Mathews, assistant cashier, Shenandoah Valley National Bank, Winchester, Va., who spoke on "Operations"; and Alice M. Dittman, cashier, Farmers State Bank, Davey, Nebr., whose theme was "Profits." Quotes on page 68

News for Country Bankers

This department is edited by Mary B. Leach *of* Banking's *staff.*

New CCC Loan Methods

A simplified method for handling Commodity Credit Corporation loans will be instituted by the United States Department of Agriculture in Missouri, Kansas, Colorado, Nebraska, and Wyoming beginning with the 1957 crop year, it has been announced. An explanation of the new procedure, designed to cut down the work now necessary by lending agencies cooperating with the Government's CCC program, has been sent to banks in those five states by the Agricultural Commission of the American Bankers Association.

The announcement of the changes was contained in a letter from Jesse W. Tapp, then chairman of the Commission, and chairman of the board, Bank of America N.T. & S.A., Los Angeles. Mr. Tapp notes that the states where the changes in procedure will be made are those served by the Kansas City Commodity Stabilization Service Commodity Office, and are made possible through the use of high-speed electronic data processing equipment to be installed in that office.

"The proposed procedures," the letter goes on, "will result in the elimination of the loan-servicing provisions of the lending agency agreement, some of the present record keeping by banks, and some of the forms now necessary, as well as the elimination of a large portion of the existing interest calculations and transmittals to the Agricultural Stabilization and Conservation County Offices."

National Farm-City Week

On July 30, Congress by a joint resolution designated the week of November 16 as National Farm-City Week. On August 31, President Eisenhower issued a proclamation backing the observance and urging "the people throughout the country to participate fully."

The nation's banks are being urged by the Agricultural Commission of the American Bankers Association to cooperate in this program. The Commission is asking bankers to take part in local observances of the Week as a means of bringing better understanding between banks and their farm customers.

The Week will be sponsored by a National Farm-City Week Committee made up of representatives of service organizations, governmental institutions, agricultural organizations, educational institutions, industry, business, trade associations, agricultural publications, radio and television farm directors, etc. Kiwanis International is the coordinating agency.

The week-long observance will include such events as tours of farms by businessmen; tours of cities, factories, and the like by rural residents; banquets and luncheons honoring farmers, agricultural officials and rural youth; joint meetings of city and farm people; demonstrations of new farming and industrial techniques; and 1-day interchanges between farm and city people, with the city people spending "a day on the farm" and the country people spending "a day in the city."

Soil Fertility Booklet

A new folder entitled "The Florida Bankers Association Advocates *GOOD* Soil Fertility Practices Because . . . " has been prepared by the University of Florida and the National Plant Food Institute, especially for the Florida Bankers Association.

In the leaflet, the Florida Bankers Association urges all Florida farmers "to take advantage of soil testing services of the University."

National Agricultural Credit Conference Program

Harry W. Schaller

Earl L. Butz

John H. Crocker

AGRICULTURAL authorities in banking, education, and government will address the Fifth National Agricultural Credit Conference of the American Bankers Association at the Statler Hotel, St. Louis, Mo., on December 10-12, according to Harry W. Schaller, chairman, Association's Agricultural Commission. The conference theme: "Bank Credit for a Changing Agriculture."

Government agricultural experts who will address the conference will include O. V. Wells, administrator, Agricultural Marketing Service, U. S. Department of Agriculture, Washington, who will speak on "What's Ahead for 1957?"; Sherman E. Johnson, director, Farm and Land Management Research, Agricultural Research Service, U. S. Department of Agriculture, Washington, whose topic will be "New Developments in Agriculture"; and the Honorable Earl L. Butz, Assistant Secretary, United States Department of Agriculture, Washington, D. C.

The advance program for the conference, announced by Chairman Schaller, who is president of the Citizens First National Bank, Storm Lake, Iowa, is as follows:

Monday, December 10—10 A.M.

Presiding, Chairman Schaller; greetings by Robert E. Lee Hill, executive manager, Missouri Bankers Association; and address by E. A. Wayne, vice-president, Federal Reserve Bank, Richmond.

Monday, December 10—2 P.M.

Roland L. Adams, president, Bank of York, Ala., will preside; Administrator Wells will speak on the 1957 outlook; and a panel will discuss the "Agricultural Outlook." William E. Drenner, vice-president, First National Bank, Memphis, Tenn., will be the panel moderator. Panel members will include James R. Austin, farm relations officer, The Peoples Bank, Roxboro, N. C.; John W. Scott, president, Valley Bank of Grand Forks, Gilby, N. Dak.; and other speakers to be announced.

Tuesday, December 11—9 A.M.

Presiding, John H. Crocker, chairman of the board and president, Citizens National Bank, Decatur, Ill. "Agricultural Credit by Correspondent Banking" will be discussed by a panel composed of William A. McDonnell, president, The First National Bank, St. Louis; J. W. Bellamy, Jr., president, National Bank of Commerce, Pine Bluff, Ark.; and another speaker from a country bank to be announced.

Other topics to be covered at this session will include a talk on "New Developments in Agriculture" by Director Johnson and "Some Considerations in Agricultural Policy" by Dr. Harry M. Love, head, Department of Agricultural Economics and Rural Sociology, Virginia Polytechnic Institute, Blacksburg, Va.

Tuesday, December 11—2 P.M.

J. Ed. Parker, Jr., vice-president, First National Bank & Trust Company, Lexington, Ky., presiding. George H. Stebbins, president, Simsbury (Conn.) Bank & Trust Co., will speak on "Current Problems for Agricultural Lenders." Bankers who will lead an open discussion of Mr. Stebbins' topic will include: T. P. Axton, president, Lafayette (Ind.) Savings Bank; S. E. Babington, president, Magnolia (Miss.) Bank; Leonard N. Burch, vice-president, The Denver (Colo.) National Bank; Nicholas A. Jamba, vice-president, National Bank and Trust Company, Norwich, N. Y.; and Rex B. Stratton, assistant vice-president, Security Trust & Savings Bank, Billings, Mont.

Wednesday, December 12—9 A.M.

At the concluding session, Jesse W. Tapp, chairman of the board,

Jesse W. Tapp

Harry M. Love

W. E. Drenner

Tyrus R. Timm

W. A. McDonnell

Bank of America N.T.& S.A., Los Angeles, Calif., will preside. The first feature of this session will be the appearance of National 4-H Club Foundation representatives. A panel of four agricultural leaders will then discuss "The Soil Bank," with Dr. O. B. Jesness, head, Department of Agricultural Economics, University of Minnesota, St. Paul, acting as moderator. Panel members will be Dr. Lowell S. Hardin, acting head, Department of Agricultural Economics, Purdue University, Lafayette, Ind.; Dr. Van B. Hart, professor of farm management, Cornell University, Ithaca, N. Y.; W. A. Sutton, director, Extension and Forestry Service, University of Georgia, Athens; and Dr. Tyrus R. Timm, head, Department of Agricultural Economics and Sociology, Texas A. &. M. College, College Station, Tex.

At this same session Assistant Secretary of Agriculture Butz will speak on "Agriculture and Big Government" and Mr. Schaller will speak on "Bank Policies for Agricultural Lending in 1957."

Central National Bank of Cleveland staff members counting pennies which were the basis of a $575 scholarship award presented to Kathleen O'Malley, named the "most deserving 4-H Club member" at the recent Cuyahoga County (Ohio) Fair. Fair visitors contributed 28,595 pennies which were matched by Cleveland radio station WERE. Miss O'Malley is 18 years old and has been active in 4-H Club work for 10 years. She has won several blue ribbons and this year serves as a junior leader in her district. *Left to right*, Richard Kessler, Herbert W. Brechmacher, Miss O'Malley, Assistant Cashier John H. Perry (seated), Disc Jockey Phil McLean, and Walter T. Coffey, manager of bank's Airport Office

"Something to Crow About!"

THE 12th cartoon booklet to be issued on farm management and production by The Canadian Bank of Commerce is "Something to Crow About! Poultry Management." Other booklets in this series cover such topics as "Keeping the Farm in the Family," "Trees on the Farm," and "Switch to Power."

The theme discussed in each booklet is presented with cartoon illustrations driving home the message to be derived from brief, easy-to-read copy. The booklets are printed in two colors and fit comfortably into a No. 10 envelope.

Country Bank Management

Women bankers discussed various phases of "Country Bank Management" at the annual convention of the National Association of Bank Women in Minneapolis. This panel was composed of Ruth B. Lundsten, president of The Buffalo National Bank, Buffalo, Minn., moderator; Patricia Damon, president, Citizens State Bank, Clayton, Wisc., whose topic was "Personnel"; Elsie Mathews, assistant cashier, Shenandoah Valley National Bank, Winchester, Va., who spoke on "Operations"; and Alice M. Dittman, cashier, Farmers State Bank, Davey, Nebr., whose theme was "Profits." Picture on page 66.

THESE are some of the points made by two panel speakers:

Miss Mathews—"Operations"

Many country banks might find it profitable—if they have not already done so— to set up a separate instalment loan department. We did this nine years ago and have wondered since why we did not do it some years sooner. We started the department with 94 instalment loans which were being handled in the regular note department, amounting to approximately $23,000. Today the department is handling 2,800 notes, with a net total of nearly $1,500,000. . . . Today the department has three men and three girls working full time in it.

I cannot pass without mentioning the drive-in window service. In the South this service is becoming more popular all the time. We have had two drive-in windows since our bank was remodeled four years ago. However, these windows have been changed recently, since they were found to be inadequate. We now have two drive-in windows something like windows on a toll bridge.

Mrs. Dittman—"Profits"

A pamphlet distributed to all state banks which I have found to be particularly informative is the "Condition and Operation of State Banks" issued yearly by the State Bank Division of the A.B.A. I might suggest that you break down the earnings information of your bank by source and convert it to percent. If the average bank of your deposit size, for example, earns 56% of income from interest on loans, and you earn only 45%, attempt to find the reason. First compare the percent of assets invested in loans in your bank and in the average bank. If these are comparable then your bank is passing up income that could be its.

Management is the most important single item in producing profits in smaller banks. Through management, and that is *you*, you can make your bank produce out of proportion to its size. By your efforts, you can overcome the difficulties of a poor location or a poor territory.... By comparing last year's earnings figures with this year's, you are comparing yourself with yourself...

5TH

NATIONAL AGRICULTURAL CREDIT CONFERENCE

December 10-11-12, 1956

Hotel Statler, St. Louis

· PURPOSE ·

THE purpose of this conference is to help bankers continue to improve their credit services to farmers. Agriculture changes every year and credit needs change every year. This national conference is an activity whereby bankers keep abreast of the situation by group discussions and talks by outstanding bankers and farm leaders.

· DISCUSSION ·

THE general economic climate * * * Agricultural outlook * * * Correspondent banking as a source of credit for farmers * * * New farm developments * * * Group discussions of current problems * * * The Soil Bank * * * Relation of Government to farming * * * Bank policies for agricultural credit in 1957.

Obtain Your Hotel Reservation Well in Advance

SEND application to
Hotel Statler
St. Louis
Missouri

For your convenience, the A.B.A. will furnish, upon request, hotel cards for making reservations.

DO THESE TWO THINGS NOW

Register in Advance

WRITE the Agricultural Commission of the A.B.A., 12 East 36 Street, New York 16, New York, for registration forms. The *registration fee* is $15 per person, which includes a copy of the *Proceedings.* (Make your check payable to A.B.A. Refunds will be made, upon request, to those unable to attend.)

"You and Your Bank"

An Attractive 40-page Book Slanted at Rural Young People

A NEW publication aimed at helping rural young people better understand the financial side of running a farm and the role banks play in farm finances is being offered by the American Bankers Association to banks for distribution to farm youth in their areas. The booklet, *You and Your Bank,* has just been published by the Association's Agricultural Commission and is available to all member banks.

Publication of the booklet was announced by Jesse W. Tapp, chairman of the Commission during the past year, and chairman of the board, Bank of America, Los Angeles.

You and Your Bank is an attractive 40-page book written in a light style slanted directly at young people and illustrated with a number of informal drawings and typical bank forms such as check, deposit ticket, and note.

For Local Distribution

It is intended for distribution by individual banks or groups of banks either singly to young people in rural areas or in quantity to such groups as classes in rural high schools or farm youth organizations like Future Farmers of America and 4-H Clubs. In order to make *You and Your Bank* of maximum value in school classrooms, a teacher's guide is available along with the book.

The Agricultural Commission notes that offering the books to local school or youth groups could be a joint project of all the banks in the community, or of clearing house or county bankers associations, as well as part of the public relations program of a single bank. The book may be imprinted with the name of the sponsor.

Is Educational

Although reference is made to the various bank services available to farmers, the new booklet is designed to do an educational rather than a selling job. Considerable space is devoted to such topics as how to use bank services (how to open a checking account, how to write a check, and the like), sources of credit necessary to a modern farm business, and ways of building and maintaining a good credit standing.

The book begins with a short explanation of the American banking system and the services offered through it. Following is a section on "How to Use Bank Services," which includes safeguarding your money, how to open a checking account, making deposits, writing checks, advantages of a checking account, borrowing money, purchasing Savings Bonds, and other bank services.

Agricultural Credit Sources

Section 3 of *You and Your Bank* describes the various sources of agricultural credit and the sort of lending each does. From this point the book moves into a closer look at farm lending by banks, explaining the uses of non-real-estate and real estate loans and the way such loans are obtained.

The book next takes up the importance of a good credit standing, and lists eight suggestions for building and maintaining good credit.

The final part of the book is devoted to a discussion of the trends in capital requirements in agriculture.

A sample copy of *You and Your Bank* is now being mailed to every A.B.A. member along with a price list for ordering the book in bulk and a letter from Harry W. Schaller, new Commission chairman, making suggestions as to its use. Mr. Schaller is president, Citizens First National Bank, Storm Lake, Iowa.

The Committee

You and Your Bank is a project of the Agricultural Commission's 1955-56 Committee on Youth Activities.

William C. Knox, cashier, First National Bank in Fairmont, Fairmont, W. Va., was chairman; and other members were W. H. B. Anders, vice-president, Farmers and Merchants-Citizens National Bank, Frederick, Md.; Frank W. Black, executive vice-president, Peoples National Bank, Barre, Vt.; Richard H. Clark, assistant cashier, Walker Bank and Trust Company, Salt Lake City, Utah; Claude F. Clement, vice-president, The First National Bank of Belfast, Belfast, Me.; W. E. Ellis, chairman of the board and president, The Commercial National Bank and Trust Company, Ocala, Fla.; and Dr. Harry M. Love, head, Department of Agricultural Economics and Rural Sociology, Virginia Polytechnic Institute, Blacksburg, Va.

This is the 2-color cover of "You and Your Bank"

Can We Solve the Farm Income Problem?

"The problem is overexpansion, not depression; and in spite of the fact that an entirely different approach is called for, we persist in concentrating on prices. We are dealing with consequences, rather than causes."

O. B. JESNESS

DR. JESNESS is head of the Department of Agricultural Economics, University of Minnesota, St. Paul, and is a member of the Advisory Council of the Agricultural Commission of the American Bankers Association. This article is based upon an address by DR. JESNESS before the Agricultural Breakfast at the 82nd annual convention of the A.B.A. in Los Angeles.

ARE farmers, as some say, experiencing a depression? The answer clearly is negative if the implication is that depression is the cause. This is not the early 1930s. If it were, then we would be doing things to stimulate employment and activity. But this is not a picture of today's economy. Employment activity and national incomes are at high levels. We are concerned about inflationary dangers and accept, as logical, brakes on credit and money supply.

Supply Outdistances Market

Granting that it is in the farmer's interest to find and develop real markets for farm products wherever they may be, this is not the major solution of the farm income problem today. A decided lowering of prices which farmers pay, if it could be accomplished other than by wholesale deflation leading to depression and unemployment, would improve the net position of farmers. But this would be impossible without sharp cuts in the wage structure, an unacceptable solution.

The current situation is not due to depression. The farm income problem is primarily a consequence of production in some farm products having outrun the markets available—even at a time of comparatively strong demand.

There are several reasons why supplies have outdistanced markets for some products. Carry-over of war-induced expansion is one. Acres seeded to wheat were at a 50- to 60-million level before the war but climbed to a peak of 84-million in 1949 to meet the world needs. While acre allotments and quotas have brought harvests more nearly in line with outlets, the stocks accumulating during the several years of overexpansion remain burdensome. Moreover, the acres kept out of wheat have been used for feed grains. Consequently the surplus has been spread rather than remedied by these controls. Cheese and dry skim milk were other products for which considerable war expansion was encouraged. Farmers expand output to meet special needs more readily than they react when the need has passed.

A greater surplus creator is the increasing productivity of agriculture. Mechanization and application of improved technology and management on farms have brought this result. American farms are producing more and more with less and less farm labor.

While the effect is not subject to specific measurement, support prices at incentive levels for crops in surplus undoubtedly have encouraged more intensive production on acres left available for such crops.

Government Focuses on Prices

Government farm programs have concentrated on prices as the way of easing the farm income problem. The problem is overexpansion, not depression; and in spite of the fact that an entirely different approach is called for, we persist in concentrating on prices. We are dealing with consequences, rather than causes.

We often hear it said that it is "underconsumption, not overproduction" which is at the root of the farm problem. To holders of this view the matter of market expansion may seem simple. What they overlook is that in a well fed nation such as ours, total consumption per capita does not go up merely because supply of some things is overabundant. The total intake of food per capita is remarkably stable. Indications are that in the race between the rate of increasing farm productivity and the rate of population growth, the former will continue to lead. Surpluses are likely to be with us for a period of years unless we develop effective methods of production adjustment.

Foreign Market Obstacles

Some, of course, contend that it is impossible to have too much of a good thing, such as food. They point to the fact that a considerable segment of the world's population is inadequately nourished. What they forget is that need does not become demand which is effective in the market place unless it is coupled with ability to buy. Some Americans find it easy to assume that there is a foreign market ready to take any and all farm products off our hands if only the price is right. They do not see why other nations should not welcome bargain offers. Nations which compete with us for foreign markets are particularly sensitive to moves on our part to dump stocks abroad.

Advocates of arbitrary price supports do not always see the nationalistic aspects of such programs. The United States has quotas or other barriers to imports of price-supported products. Trade is a two-way road—an exchange of goods and services. Restrictions on imports are not consistent with our efforts to dispose of surpluses by expanded exports. Let us seek every legitimate market which can be found or developed, but let us get over the notion that the whole or the principal solution for our current farm dilemma is to be found on the demand side.

(CONTINUED ON PAGE 74)

Frank Roberts (left) shows off his cattle to his Purina Salesman, Wib Fricke (center), and Mr. W. C. Kerr, vice-president of the First National Bank, Pana, Illinois.

More cattle...more income for all... thanks to three-man farm team

FRANK ROBERTS OF HERRICK, ILLINOIS, WAS LIKE A LOT OF FARM FOLKS TODAY... he knew his business, but needed more capital to put his cattle-feeding knowledge to work making the extra income he needed to increase his holdings and for remodelling his home.

To help Frank, a three-man team went into action: Purina Dealer Roy Schaper, of Pana, Ill., Mr. W. C. Kerr, vice-president of the First National Bank in Pana, and Frank all got together. The bank agreed to put up the extra money for more cattle, Roy Schaper agreed to give the feeder all of the help and advice that 62 years of formula feed manufacturing had built for Purina, and Frank Roberts agreed to do the best job he could to make his cattle pay out well.

And everything worked out fine. Frank was able to feed more cattle than he would have been able to afford by himself... and the extra income helped him remodel his home.

Roy Schaper was able to service his customer with the Purina Chows and management helps he needed, and the First National Bank of Pana also grew with the transaction.

What's more, the additional cattle and money this transaction put into the community brought more prosperity to nearly everyone in and around Pana.

We will be happy to send you details on how profitable poultry and livestock financing helps build community prosperity. No obligation, of course. Write: Ralston Purina Company, 1605 Checkerboard Square, St. Louis 2, Mo.

WHY THE FIRST NATIONAL BANK OF PANA LENDS THROUGH PURINA DEALERS

The First National Bank of Pana—like similar institutions over the country—has found that farm loans, especially livestock and poultry, can be good business for them. Especially if there is adequate and proper supervision of the livestock or poultry by qualified experts. As executive vice-president W. C. Kerr says: "Our Purina feeder financing during the past year has been very satisfactory. We are interested in anything that helps promote the welfare of our community. The Purina business is no harder to handle than other types. It is very little trouble, in fact. And, to date, *we have not suffered a loss with Purina feeders' loans!*"

Why don't you get in touch with the Ralston Purina Company and see how easily you can become...

Partners in Prosperity

Farm Income Problem

(CONTINUED FROM PAGE 72)

Acre Allotments and Marketing Quotas Only Temporary Solution

Acre allotments and marketing quotas may be the appropriate answer in a situation of temporary surplus for which a curb is needed only until the market recovers. They are unsuited for more permanent adjustments such as now needed. While such curbs may hold resources out of use, they continue to demand a share in the returns and stand ready to come back into the supply picture as soon as the brakes are released. They are unfair in that they do not distinguish adequately among producers and land that should remain in production and those which should shift.

Recurring surpluses in any commodity other than in times of serious depression are a symptom of unbalanced use of productive resources. The remedy is not that of a proportionate holding of resources in idleness with compensation from public funds, but one of readjustment in use. In some cases this adjustment may be simply that of shifting from one use to another.

Disparity of Farm Income

A more touchy aspect of adjustment in resource use is that involving the human factor. The evidence is clear that there is underemployment of some farm people. The alleged disparity between average farm incomes and the average of nonfarmers frequently is cited as a justification for price supports and income aids. The figures commonly used in such comparisons leave much to be desired. An average farm income obtained by dividing the total income by the 4,800,000 farms recorded by the census hides more than it reveals. The larger share of the farm income goes to the approximately 2,000,000 commercial units, mostly individual farms, which produce the lion's share of the market supply.

It requires no higher mathematics to discover that an average of the incomes of these farms compares much more favorably with their nonfarm counterpart than the figures commonly used. Complaint is heard that present price supports benefit most those with better incomes. Of

O. B. Jesness

course they do. Any operation—price supports, income payments, or other—based on the market will have that result. What we actually have been doing is to average in people living on the land producing little or nothing for market to justify a program which benefits primarily commercial farmers.

However, to the extent that there may be persistent disparity of income for some farm people—that is, their productivity in some other line would earn them a higher income—the way to attain a better balance is for some of them to take advantage of these opportunities to shift out of agriculture. The answer clearly is not one of subsidizing more people than needed to remain in agriculture and to share in the farm income.

Cityward Migration a Favorable Omen

Cityward migration is nothing new in this country. It has been under way during most of our history. The over-all effect has been good, both for agriculture and for the economy as a whole.

Cityward migration may vacate some farmsteads but does not lead to land abandonment except in rare cases. The land is absorbed into neighboring farms, meaning that the average farm size is increasing. This in general is desirable. Too many of our farms are too small for most effective use of modern machinery and technology. They do not use the full capacity of the operator. Under such circumstances, enlargement means greater productivity, improved returns, and better living for farm families.

But what about the hue and cry over the alleged disappearance of the "family farm"? Some politicians and others see or pretend to see corporation farming as an ogre which is abroad in the land intent on gobbling up the family farm. Certain farm enterprises and situations lend themselves to effective use of large-scale methods. This is not new. But there is no evidence of a marked increase on this front. What is happening is that the individual farm units are getting larger as they need to if effective use is to be made of modern technology and mechanization. Rather than resisting and obstructing the increase in size of individual farm units needed to make them more efficient, we should be encouraging the change wherever it will result in improvement.

Corporation Farming

Those who dwell on the threat of corporation farming might be interested in taking a look at what has happened to the number of hired workers on farms. The total number today is not much over half of what it was in 1920. The executives of corporations which operate farms are not customarily found in working clothes out in the fields or barns. Were corporation farming expanding, the number of hired workers would be up, not down. From the standpoint of reliance on operator and family labor, our farms are becoming more rather than less entitled to the designation of "family farms" even while they are growing larger.

The growth in average size of farms comes about mainly by combining existing farms into larger units. The result is fewer farms and fewer farmers. The latter trend disturbs some people no end. They see a decline of rural trading centers and community institutions. As farm population in an area decreases, there may be fewer buyers of coffee, sugar, and overalls. The market for larger machines, services, appliances, and goods associated with better living may be expected to increase. Country banks may not have more farm customers, but may expect more business from the development of larger farm units. Farm numbers and farm population do not change overnight. The trends

are gradual, giving opportunity for communities to adapt themselves to them. It may be useful at times for those in farm trading centers to remind themselves that they are there to serve the needs of farmers rather than the farmers being there to serve them. They should not expect the farmers to resist desirable changes in farming because of the adaptations others may be called upon to make as a result.

Problem Is Largely Result of Surpluses in Some Lines

Let us face the situation frankly. Today's farm income problem is largely the result of surpluses in some lines. In other words, there are more productive resources used in agriculture and demanding a share in the farm income than needed. These resources are primarily land and people. The adjustments needed apply to both. Let us emphasize that this is not a case of "plowing under" farmers or of driving them off the land, but one of attracting them by better opportunities elsewhere.

Will the soil bank program produce the needed adjustment? . . .

Unfortunately, there are a number of disquieting indications of a strong tendency to view the program as one of siphoning money from the Treasury into farmers' pockets. An early administrative ruling indicating an intent to use the program in 1956 for production adjustment and not as crop insurance met with such political and other opposition that it soon was modified. Payments under the acre reserve program are determined by applying a percentage of the support price per unit to the yield of the land withheld from production. The yield used will be the average for the area or the community. However, in 1956, for land already planted but on which drouth, excess rain, or other causes had cut production decidedly, the direction was to use the appraised yield after the damage. This encountered strong opposition among some Congressmen and others on the ground that this would not compensate the individual for his losses.

Conflicts Displayed

This displays rather clearly some of the conflicts. If payment is made for losses resulting from natural causes, the amounts will add to the income of farmers involved but will "buy" no production adjustment as such. Moreover, if one farmer is entitled to "crop insurance" of this sort without premium payment because he has sustained a loss, what about the producer of a nonbasic crop? Is not a fruit grower hit by frost or a hog farmer who loses a large share of his hogs through disease entitled to similar compensation? Is this what the program is intended to do? Will this approach help get the results needed? These are serious questions which we should be weighing.

Opinions differ as to whether a man should be required to put the same acres into the acre reserve year after year or be permitted to rotate the land. The latter interpretation seems to be prevailing. Will this enable the farmer to improve the productivity of the acres in reserve year by year and thus reduce the production adjustment effect? If so, it will lessen the adjustment result.

Arbitrary Level Price Supports Conflict with Soil Bank Plan

Price supports maintained at arbitrary levels come into conflict with the soil bank program. Supports at incentive levels mean that the payments under the soil bank program will have to be high enough to provide offsetting incentives. Those who argue for both high price supports and the soil bank program ought to recognize the competing forces which result. They will limit the curative aspects of the soil bank program.

The soil bank program needs to be formulated and administered in such a manner that it will encourage rather than impede the needed adjustment in human resources. If it works in the direction of keeping more people on the farm than necessary, it will not serve the common good.

This leads to the conclusion that if the soil bank program is going to solve the basic problem of price-depressing surpluses, it must be used to buy adjustments and be freed from the job of adding to farmers' incomes. Unless this is done, the program will continue to find itself in the embarrassing position of riding two horses not traveling in parallel directions.

In short, if we are to supplement the income of farmers derived in the market place with payments from the public treasury, this should be done by an entirely different program. If such a program does not aid adjustment, at least it should not, like some of our price supports at present levels, make the adjustment problem more difficult.

Low-Income Farm Dwellers

This discussion has centered on the income problems of commercial farmers. A considerable segment of the farm population consists of people living on the land rather than of producers for the market. Among them are many with extremely low incomes. The problems they present are not a farm income problem in the accepted sense. They should not be confused with farm problems which involve such programs as price supports, the soil bank, and the like. The problem they present is to a large extent a "social problem" rather than a "farm problem."

The answer to the question posed by the title of this discussion is that the farm income problem can be solved but that it will not be until and unless we are ready to face the actual problems and apply the specific remedies needed. These remedies will not be found in patent-medicine bottles, attractively labeled "price supports," whether they be of the 90% or the flexible variety. Some basic adjustment must be made. These are neither costless nor painless, but are inescapable unless we want to let overexpansion become chronic. Let us stop relying on soothing syrup for an ailment which calls for surgery.

Corrective Action Needed

Farmers are entitled to help in times of economic distress. Farmers do not bring on depressions but suffer severely from their consequences. Every effort should be made to avoid depression by keeping the economy stable at a high level of activity. No program of price or income support is an adequate substitute for a market kept strong by health in the economy generally. However, if real depression strikes in spite of best efforts, appropriate aid to farmers is in order, pending recovery. Standby farm programs to this end are essential. We should also be ready to apply corrective action in any difficulty beyond the ability of farmers generally to meet.

Some P.R. Ideas

Bank Provides Safe Driving Sticker

THANKS to THE MANCHESTER SAVINGS AND NATIONAL BANK, many New Hampshire autos carried on their rear bumpers a safety sticker reading "I Drive Safely — Won't You."

Offered free to all car owners during the October motor vehicle inspection period, the green stickers, with reflective silver and white letters, were made available to the state by the bank as a community service contribution to "a tangible campaign to promote careful driving."

Virginia BA Scholarship Plan

THE VIRGINIA BANKERS ASSOCIATION, seeking to attract qualified young men to banking jobs, this year offered free board, room, and tuition at the VBA's bankers' school to outstanding juniors in Virginia colleges and universities.

Professor Edward C. Atwood of Washington and Lee was so interested that he asked if he, too, could attend the session. (He could and did, of course.)

William E. Robey, chairman of the school's trustees and senior vice-president of the Old Dominion Bank, Arlington, says the program gives the Virginia bankers "an opportunity to put our case squarely up to the bright young college men" who thus get a chance "to make a frank and candid appraisal of the educational facilities offered young bankers in Virginia."

Eight scholarship students attended this year's session.

WYEYVMIIPF?

Badges bearing those letters appeared on employees of the VALLEY NATIONAL BANK in Arizona. The cryptic message was: "Won't you enjoy your vacation *more* if it's paid for?" In other words, Valley was promoting a new prepaid vacation club plan. Participants sign up for predetermined amounts to be paid in 50 weekly instalments.

The Broad Scope for Exercise of the

Directors' Responsibility for Personnel

The range extends from the planning of succession to maintaining the newest office boy's morale

HERBERT BRATTER

MR. BRATTER'S *series of articles, covering the entire range of directors' interests, began last April. Writing from Washington, the author works in close collaboration with the staffs of the various supervisory agencies—this month, in particular, the Comptroller's Office.*

A BANK is a building containing vaults and books and money. But more than that it is people. Whether the bank is operated ably or poorly, profitably or unprofitably, honestly or dishonestly depends on the knowledge, the experience, the quality, and the spirit of the personnel.

Staffing of Bank

Under the law it is the bank's directors who are responsible for the staffing of the bank. Not all bank directors, however, fully appreciate this fact even when, due to staff deficiencies, earnings suffer or losses occur. While the directors are elected by the stockholders as the law provides, they are very often nominated by bank officers, to whom they may feel indebted for the honor. It has happened in some banks that over the years an officer has recommended so many of the directors on a bank's board that his influence tends to dominate the group. This is a result quite the opposite of the purpose of the banking statutes and may sometimes have unfortunate results. The directors best serve the bank and best protect their own interests when they realize that it is theirs to direct and not merely to endorse the decisions of others.

In addressing themselves to the problems of bank personnel, the first question to be faced is whether the bank is being ably managed. Their scrutiny should begin with the president. If the top management is below standard the directors should see what can be done to improve it. It may be necessary to hand the reins to younger or new hands, perhaps promoting junior officers for the purpose. If it is necessary to look for outside talent through personal inquiry or advertising in banking publications, the problem may not readily lend itself to a simple solution in the case of a very small bank.

In many small banks an allied problem is that of assuring competent succession to present senior officers who are approaching the age of retirement. In many cases, where succession has not been provided for, the banks concerned have either been absorbed by other banks or liquidated. In this country, with many thousands of small-unit banks, the problem of maintaining enough personnel in training to take over the top jobs is a common one.

Superannuated Directors

While the subject of superannuated officers and employees poses a commonly recognized problem, a less obvious one faced by a good many banks is what to do about the superannuated director. If the bank's directors and officers be viewed as a team—as should be the case—it is certain that the team's effectiveness is reduced in proportion to the number of directors who no longer are able to pull their weight on the board. A director may bear a well-known and respected name, but if he is unable to attend meetings regularly and contribute constructively to the work of the board he should resign. The other directors or the officers cannot make him resign; nor can the officers, being his subordinates, ask him to resign. Unless he retires voluntarily, only the stockholders can replace such a director. It would seem to be up to the other directors, all of whom represent the stockholders, to use their influence toward strengthening the board.

Acts of Bank Are Directors' Responsibility

It is customary for the directors to delegate to the operating officers the selection of subordinate personnel. The latter, however, are as much employees of the directors as are the officers at the top. Under the law, it will be recalled, the bank is responsible for the acts of both its officers and its employees and the directors are responsible for the acts of the bank. It, therefore, behooves the directors to take an interest in the bank's personnel. The smaller the bank, the easier this will be.

Frequently it has been the experience of bank supervisory authorities in instances where bank shortages have occurred that the directors did not know how their bank's employees were living and, in fact, knew very little about their personal affairs. It is within the power of a bank's directors to provide that someone, possibly an officer, be designated to keep in frequent contact with the employees, finding out what their problems are and calling on them at their homes at reasonable

intervals. Such contacts with employees of course should be discreet, but should indicate whether the employees are contented in their jobs, are living within their means, or have any gripes. Such an officer may be designated to receive complaints and suggestions from employees. A suggestion box on the premises may be helpful, especially if it involves cash awards for ideas adopted.

Meeting Competing Salaries

The directors should see to it that the bank pays salaries commensurate with those paid elsewhere in the community for similar types of work. Promotions should not be so long delayed that ambition wanes or resentment develops. Favoritism in promotions should be avoided. In this connection, some banks, as a matter of policy, will not employ close relatives of directors, officers, or employees in order to avoid any chance or suspicion of favoritism on that account. The prime considerations in promotions should be merit and qualifications.

In addition to formal pay, many banks today offer a variety of fringe benefits to officers and employees. Among such benefits are retirement plans, health and hospitalization programs, and life insurance, either at lower cost than prevails outside the bank or on a contributory basis. Small banks may have difficulty in providing some of these benefits, but it is noteworthy that many bankers associations have developed retirement systems in which numerous small banks may participate. The fact that fringe benefits are already being offered in many banks tends to put pressure on the others to join the movement lest they lose employees.

Adequate employee and officer vacations preferably over monthends, are a must for every bank, and directors should lay down a firm policy in this regard. Not only are vacations necessary for the health and happiness of the individuals concerned, but they are a vital element in the bank's internal security program. For the latter purpose it is also important to rotate employees where feasible from time to time.

Fringe Benefits

Coffee breaks seem to have come to stay on the American scene. Many banks provide facilities for this purpose. Larger banks particularly, help keep their employees happy by supplying low-cost meals in bank cafeterias, as well as recreation and rest rooms, lending libraries, gymnasiums, health rooms, physical examinations, periodic X-rays. Even swimming pools, tennis courts and club memberships for higher officers are not unknown in American banking. In numerous cases morale is built by encouraging the formation of employees' clubs, picnics and outings at which officers and directors mix with employees, interdepartmental sports contests in baseball, bowling, and the like. Such activities help build organization spirit. The opportunity for employees to meet officers and directors on an informal basis can certainly be counted a morale builder. Directors should avail themselves of occasions to make themselves better known to the employees.

A bulletin board on which employees may post notices of various kinds is worth having. House organs can be helpful. Some banks offer arrangements for "buying services," although obviously this is something that must be carefully thought out in advance lest the bank's commercial customers be made unhappy.

Personnel Training

The training of personnel for greater usefulness to the bank should be a policy of the board. Members of the American Bankers Association and of state banking associations should take advantage of the educational opportunities available to junior officers and employees. A college or business school in the bank's own vicinity may offer similar opportunities. Extension courses conducted by mail are also available. Utilizing such facilities, a bank not only trains its personnel for greater responsibilities but also facilitates the inflow of new ideas and methods which may more generally benefit the institution.

Attendance at Banker Meetings

To the same end, assignment of officers to participate in periodic meetings of bankers associations is recommended. It would doubtless benefit the banking industry, too, if more bank directors themselves made an effort to attend some of those meetings.

Among other personnel questions in which directors should take an interest is the matter of outside business interests. A bank officer or employee should not also be in another business; nor should he engage in speculative ventures. Bank dealings with concerns in which officers, directors or employees or their relatives are interested should be conducted with special care.

Employees as Customers

Whether the bank should do business with its own employees and officers is something for the board to decide. Some banks do not permit employees to borrow from or have accounts with the institution for which they work, the theory being that thereby temptation to tamper with the books or manipulate accounts is greatly lessened. Other banks hold just the opposite view and require employees to do all their banking there. The theory is that the bank then knows a great deal about the affairs of the employees, which makes for better control. The majority of banks reportedly have no set policy as to employee banking in this respect.

Responsibility for Personnel Is Wide

Clearly the scope for the exercise of directors' responsibility for bank staffing and personnel is wide. It ranges from the provision of capable management and the planning of succession to the contentment and morale of the entire personnel. The directors should maintain a personal interest in the staff, ever watchful of the organization and its morale and always alert for innovations that will be beneficial to the bank and its personnel. All this is part of taking a director's job seriously.

BANK LAW NEWS

C/Ds—Joint Account—Filing Delay

CERTIFICATES OF DEPOSIT WITH ALTERNATE MATURITIES

Reserve Board lays down rules for interest payment.

THE maximum rate of interest which may be paid by a Federal Reserve member bank on a deposit evidenced by a time certificate does not depend on the length of time the deposit is left with the bank, but rather upon the terms of the certificate, viewed in the light of Regulation Q of the Board of Governors of the Federal Reserve System.

Regulation Q provides that no member bank shall pay interest at a rate in excess of 1% per annum on a time deposit having a maturity date less than 90 days after the date of deposit or payable upon written notice of less than 90 days; nor in excess of 2% on a time deposit having a maturity date less than six months and not less than 90 days after the date of deposit or payable upon written notice of less than six months and not less than 90 days; nor in excess of 2½% on a time deposit having a maturity date six months or more after the date of deposit or payable upon written notice of six months or more.

Recently, in the course of giving its opinion whether four different forms of time certificate, each providing alternate dates of maturity, complied with the requirements of Regulation Q, the Board of Governors laid down standards for determining the proper interest rate on any such type of certificate.

Where the deposit contract provides a fixed maturity but with an option on the part of the depositor to withdraw after a prescribed period of notice, the maturity is that named in the certificate unless and until the depositor exercises his option to change that maturity, and in that event the maximum interest rate payable will be the rate applicable under the regulation with respect to the period of such notice of withdrawal given by the depositor. Where the certificate itself names alternate fixed maturities, as three of the certificates discussed in this section, without provision for withdrawal after notice upon the option of the depositor, the certificate must be regarded as maturing at the earliest fixed maturity and, if not withdrawn at that time or at any subsequent fixed maturity, as being automatically renewed until the date of the next following fixed maturity; and the maximum interest rate payable upon withdrawal at any fixed maturity would be the maximum rate applicable under the regulation to the period from the previous automatic renewal to the date of such withdrawal. 12 C.F.R. §217.112, as added by F. R. Doc. 56-6729. See: 21 Fed. Reg. 6269, 8.21.56.

JOINT ACCOUNT WITH RIGHT OF SURVIVORSHIP

Just when is a conclusive presumption conclusive?

FOR the second time in recent months a statute designed to vest title to funds in a joint account in the surviving depositor has been interpreted by a court in such a manner as to nullify the seemingly plain language of the statute.

(CONTINUED ON PAGE 82)

A.B.A. Members Receive Legislative Report

BANKS throughout the country have received from the American Bankers Association a new 50-page report bringing them up-to-date on all Federal legislation affecting banking considered by the 84th Congress—bills enacted into law and bills that failed of passage. The title of the booklet is *Banking Legislation in the 84th Congress.*

This is a new type of report tried for the first time at the end of the 1955 session, which proved popular enough to warrant repetition. It does not attempt to provide a technical detailed description or text of every measure. Rather, it aims to give the reader an understanding of the legislation in which he is interested by presenting in convenient, readable form summaries of the new laws and also summaries of the bills considered but not enacted. It states the status of each measure at the close of Congress and tells, in addition, what position the A.B.A. took with respect to each bill.

There are 33 legislative subjects contained in the booklet. The number of measures reported on, however, is many times that number since there are usually several bills introduced on each subject.

Bankers and bank counsel desiring more details or copies of the new laws are invited to write to the American Bankers Association at 730 15th Street, N. W., Washington 5, D. C.

THE report was mailed with a letter of transmittal from former A.B.A. President Fred F. Florence, president of the Republic National Bank of Dallas. In Mr. Florence's letter and in a foreword by Lee P. Miller, chairman of the A.B.A. Committee on Federal Legislation, thanks are expressed to members of the Committee, members of the Federal Legislative Council, and to the many other bankers who have helped in the work carried on at Washington.

(CONTINUED FROM PAGE 80)

In a decision reported earlier this year a California court held that a statute of that state, which provides that the making of a deposit in the names of two or more persons in a form provided in the statute is "conclusive evidence" that the depositors intended that title to the account should vest in the "survivor or survivors" upon the death of any of them, applied only to questions of ownership arising between the survivors and the estate of the deceased depositor, and did not operate to vest title jointly in two surviving depositors (See Bank Law News for June 1956).

Now New York's highest court also has shied away from treating a conclusive presumption as conclusive. A New York statute provides that the setting up of a joint account in the names of the depositor and another person, "in form to be paid to either or the survivor of them," furnishes "conclusive evidence" of an intention to vest title to the deposit in the survivor. N. Y. Banking Law §239, subd. 3. In a case involving a joint account created in statutory form by a mother on her deathbed the Court of Appeals held, in effect, that, despite the plain language of the statute, a survivor cannot take title to such an account unless he can sustain the burden of proving that the creation of the account was the "conscious and purposeful" act of the depositor. Three judges dissented on the grounds that a conclusive presumption is a conclusive presumption — "irrefutable by proof, and, therefore, a rule of substantive law." In re Creekmore's Estate, 152 N.Y.S.2d 449, 135 N.E.2d 193.

DELAY IN FILING

Secured lender's failure to be diligent can put an end to his security.

Two cases decided in the Federal courts this year, one in Missouri and the other in New York, illustrate, if any illustrations be needed, that a secured lender puts his security interest in jeopardy if he fails to file or record his security instrument in timely fashion.

In Missouri a mortgage given to secure the purchase price of an automobile was assigned to a finance company on the day of its execution. The company failed to record

it for another seven days. In that interim, the mortgagor became insolvent. Nine days after the mortgage was recorded, he was adjudged bankrupt. The Missouri statutes do not fix a definite time for the filing of chattel mortgages, but the courts of the state have held that such instruments must be filed "promptly."

On these facts, the Federal District Court for the Western District of Missouri held that filing the mortgage after a delay of seven days did not constitute "prompt" filing and, therefore, that under §96 of the Bankruptcy Act the mortgage was deemed to have been made on the date of filing, rather than on the date when it actually was made. Since the mortgagor was insolvent on the date of filing, the mortgage had to be declared void as against the trustee in bankruptcy, as a preference made within four months of bankruptcy, the court concluded. In re Patterson, 139 F.Supp. 830.

In New York, a chattel mortgage given to secure a loan was not filed until several months after its execution. Under applicable state law the mortgage would have been void as against any person who extended credit to the mortgagor without notice of the mortgage during the interim between its execution and filing. Although there was in fact no such creditor, when the mortgagor went into bankruptcy one year after the filing, the Court of Appeals for the Second Circuit held that the mortgage was void as against the trustee in bankruptcy.

The Bankruptcy Act §70c provides that a trustee "*as to all property . . . upon which a creditor of the bankrupt could have obtained a lien by legal or equitable proceedings at the date of bankruptcy, shall be deemed vested as of such date with all the rights, remedies, and powers of a creditor then holding a lien thereon by such proceedings, whether or not such a creditor actually exists.*" The court, "reluctantly" following its own precedent (see Constance v. Harvey, 215 F.2d 571), held that it was "difficult to see how such plain language could be disregarded." Conti v. Volper, 229 F.2d 317.

JOHN RENÉ VINCENS

The ship of state is one vessel that seems to move best in a fog.

FHA and the Smaller Bank

Recommendations of Industry Advisory Committee

THOMAS L. NIMS

MR. NIMS, *a member of the newly created FHA Industry Advisory Committee, is secretary of the Savings and Mortgage Division of the American Bankers Association.*

A GROUP of bankers met recently in Washington, D. C., at the invitation of FHA Commissioner Norman P. Mason, to discuss with him and staff officials ways to increase the influence of FHA mortgage insurance in small communities. Acting as an Industry Advisory Committee the bankers and housing officials reviewed the special problems of mortgage lenders and borrowers alike in smaller communities. They reviewed the methods of preparing and processing applications for FHA loans, ways in which mortgage opportunities might be improved, and how FHA's services could be more conveniently available in assisting an even flow of credit into areas where there is a need.

Mr. Mason, in his introductory remarks, stressed the philosophy of FHA as an instrument of Government to work with industry, which was the basis for calling the committee meeting. He stated that FHA cannot be effective without cooperation of industry—but in operating with industry it can serve the housing needs of the people in the smaller communities as well as in the larger cities.

Views and Recommendations

The following summary briefly sets forth the views and recommendations of the committee members:

(1) The processing time for loan applications in smaller communities should be speeded up. It is possible that this could be done with the aid of staff members who have had specialized experience in appraising properties in smaller communities.

(2) The rejection of applications because of minor deficiencies is a deterrent to the use of FHA by bankers in smaller communities, as it is time consuming and discouraging to the bank's clients.

(3) Training assistance is needed for those in banks who have the responsibility of preparing the application forms.

Need of Insurance Programs Representative in Field Offices

(4) There is a definite need for an insurance programs representative in each FHA field office who will be available to visit with officers or staff of lending institutions about the FHA program, and take the scare out of FHA forms to be submitted.

(5) The FHA insurance programs representative should also check rejections of applications submitted for approval, to see if he cannot work out the deficiencies by phone, or by calling at the bank, so that the usefulness of the program may be expedited.

Mortgagee's Handbook Useful

(6) The FHA's *Mortgagee's Handbook* is a valuable aid, but the FHA representative should review its status with lenders to see that the people who need the instructions have access to it, and the information it contains is kept up to date.

(7) Local meetings were recommended for the bank employee who handles mortgages and prepares the FHA forms. It was the consensus of the committee that if the service of FHA were offered and explained to these individuals, the usefulness of the program would be greatly enhanced.

(8) The application form should be simplified as soon as possible.

(9) The forms that are especially burdensome are those numbered 2562, 2570, 2561, and 2577. The form 2577, Request for Acceptance of Changes in Drawings and Specifications, was the subject of special criticism because it did not seem to serve a useful FHA purpose, but had recently been inaugurated because of VA requirements.

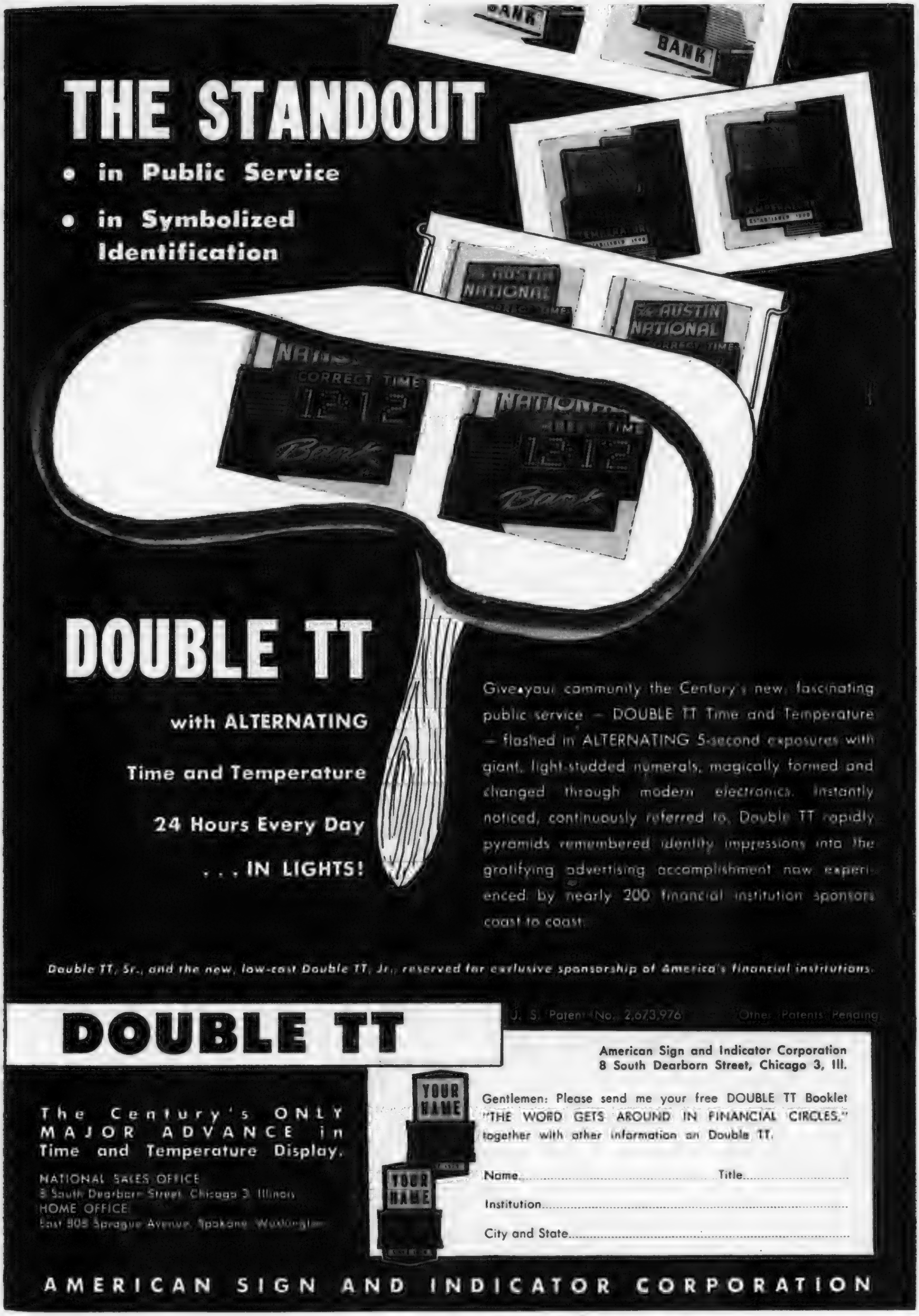
(10) It was recommended that legislative proposals be made to eliminate the need for builders warranty and the appraisal statement.

(11) FHA income standards, especially as applied in smaller communities, should be reviewed.

(12) Some FHA field offices are a little rigid in applying minimum property standards to properties in

(CONTINUED ON PAGE 86)

Bankers and Federal housing officials, *above*, meeting together are, *left to right, seated:* W. J. Taggart, Jr., Norman P. Mason, Albert M. Cole (administrator, Housing and Home Finance Agency), and V. R. Steffensen; *standing*, T. L. Nims, P. M. Minter, R. B. Haskell, and G. H. Miller, Jr.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• in Public Service
• in Symbolized Identification
DOUBLE TT
with ALTERNATING
Time and Temperature
24 Hours Every Day
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Give your community the Century's new, fascinating public service — DOUBLE TT Time and Temperature — flashed in ALTERNATING 5-second exposures with giant, light-studded numerals, magically formed and changed through modern electronics. Instantly noticed, continuously referred to, Double TT rapidly pyramids remembered identity impressions into the gratifying advertising accomplishment now experienced by nearly 200 financial institution sponsors coast to coast.
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(CONTINUED FROM PAGE 84)

smaller communities, because living habits are apt to be different from those in a large city. It was pointed out that sufficient flexibility exists in the requirements, and the only question is to see that this flexibility is properly exercised.

(13) A service charge was advocated to make mortgages in smaller communities more attractive. It was suggested that this might follow the general lines of VHMCP, so that funds would be channeled into more remote areas where it costs more to make and service loans. This could be accomplished by increasing the limitation under Section 203 (i) and, as a matter of fact, under all of Section 203.

(14) Discounts and flexibility of interest rates were discussed in connection with the fundamental importance of making mortgage loans in smaller communities attractive to investors, as the supply of money in these areas is limited.

(15) It was suggested that the Commissioner's letters to Approved Mortgagees in which changes in regulations are announced, should be identified by number so the banker can tell that he has all revisions of the act and regulations at any given time.

(16) The small banker needs special information, as he does not file FHA applications frequently, and it was suggested that a "Do's and Don't" booklet be prepared for lenders in smaller communities to set forth proper procedure step by step in filing FHA applications.

Banker Members

Banker members of the committee attending the Washington meeting included Richard B. Haskell, president and treasurer, Mechanics Savings Bank, Hartford, Conn.; Giles H. Miller, Jr., president, Culpeper (Va.) National Bank; Paul M. Minter, vice-president, The National City Bank, Cleveland; Mr. Nims; V. R. Steffensen, senior vice-president, First Security Bank of Utah, N. A., Salt Lake City; and William J. Taggart, Jr., vice-president, Equitable Security Trust Co., Wilmington, Del.

Staff Members

Representing the FHA at the meeting were the following members of the staff: Edwin G. Callahan, deputy director, Legal Division; Neil A. Connor, director, Architectural Standards Division; Edith P. L. Gilbert, executive assistant; Thomas F. Johnson, Assistant Commissioner for Programs; Allan F. Thornton, director, Research and Statistics Division; and John Doyle, insurance programs representative, Philadelphia Insuring Office.

"I know my Mom won't be interested . . . we ain't got the one paid for we got now!"

New Savings Bonds on Sale in Britain

THE new premium savings bonds —yielding no interest, but offering a chance for a prize by a draw —are on sale in Britain as of November at all banks and post offices. Each unit will cost £1 ($2.80), and will be registered in the name of each holder when bought.

Bonds can be used as gifts by the purchase of a "premium savings bond gift token" which can be converted into a bond as if it were money.

Instead of paying interest to each bond holder, the Government will pay into a pool 4% a year on the total raised and the prizes will be paid for by this money. The draw for prizes will take place monthly, the first draw to be held early in June 1957. Each bond held for six months or more will go into every draw, whether a prize has been won or not.

Bonds can be cashed at any time by filling in a form at a post office or bank. Prizes are free of British income tax.

Foreign Investors

Overseas investors may buy the bonds on the same terms as they buy other British National Savings securities. Prizes and the original capital will be freely remittable to overseas investors purchasing the bonds. So far as British law is concerned, these bonds are not regarded as lottery tickets.

"Wow! What a piggy-bank he'd make!"

The Valuation of a Closely Held Business

in the 1956 Economy

MARTIN O. NELSON

The author

The author is a partner in Nelson, Scoville & Co., Inc., investment securities and valuation specialists of Seattle, Wash.

How much is the stock of a closely held corporation worth? Or, what is the fair value of a partnership interest or sole proprietorship? In recent years this question has become increasingly important for estate, inheritance, or gift tax purposes, for estate planning, and for careful business management. A closely held security may be defined as one which has no regular quoted market, either on an exchange or in the over-the-counter market, and in which there has been little or no trading.

Worth More Than Owners Think

Today we have had a long sustained boom. How long this will last, I do not care to guess, but we do know that we have had some 20 or more years of rising prosperity, good business, and a depreciating dollar. The process has been particularly rapid in the last six years. As a result, many businesses are worth much more than the owners may think. To illustrate, if the earnings of a business have increased from $100,000 to $200,000 per year in the last five years, this $100,000 increase does not seem too large. But if we adopt the very rough rule of thumb that this particular business is worth 10 times net earnings, then the value of the business has grown from 10 times $100,000 or $1,000,000 to 10 times $200,000 or $2,000,000, a million-dollar increase for tax purposes.

Not only have earnings increased, but our economy today capitalizes earnings at a much higher rate than six or eight years ago. For example, stocks in the lumber industry sold at five to eight times earnings in 1948. Today, with earnings much higher, the same stocks are selling at 10 to 15 times current earnings, which greatly increases the price of the stocks. The Dow-Jones average of industrial stocks, which was under 200 in 1948, is now, in 1956, around 500.

Soon many an owner will have a very rude awakening to find out that, while he is much richer than he thinks, he also has a much larger tax liability in his estate and a greater need for liquid reserves to protect his heirs.

Arriving at Valuation

Basic Internal Revenue regulations (Revenue Ruling 54-77) provide that the fair market value of any property is the price at which it would change hands between a willing and able buyer and a willing and able seller. Neither must be under any compulsion and both are assumed to be well informed about the property and the market.

Valuation is not an exact science and no fixed formula can be used, because there are so many different types of cases. Often there can be a wide difference of opinion among appraisers.

A valuation must consider all the relevent factors and may not be based on one consideration only—for example, the book value of the stock. Such factors are:

(1) We must examine the nature of the business and its history. Is it stable or does it lack stability? Is it diversified in its operations? Is it growing or static? Since investors value a business on its expected future earnings, growth industries will capitalize present earnings at relatively high rates. Thus we find stocks selling at 15 to 20 times earnings in such industries as electronics, prefabricated housing, ethical drugs, chemicals, television, and aluminum. Stable industries, such as food, cosmetics, textiles, retail trade, banking, tobacco, or electric light and power, value present earnings at somewhat lower ratios, at present 10 to 15 times earnings. We find the lowest capitalization of earnings, currently only 5 to 10 times, in such generally declining industries as wool, anthracite coal, manufactured gas, and traction.

Competitor Comparison

We must determine if the business has been more or less successful than its competitors. Is it gaining or losing in its share of the total market within its field? Is prospective competition coming into the industry, particularly in cases where profits have been high? New competitive plants frequently narrow manufacturing profit margins. The death of the key executive in a "one-man" business could be very important in decreasing the future value of the enterprise. But if adequate management is available, or the death is covered by life insurance, this disadvantage could be minimized.

(2) Current and prospective economic conditions, both in the national economy and the particular industry, must be appraised. Is this particular industry heading into a boom, a stable period or a depression?

(3) The book value of the stock

and the financial condition of the business must be determined. Comparative balance sheets for several years should show: (a) The liquid position; ratio of current assets to current liabilities. (b) Net working capital and net quick assets. (c) Long-term debt. (d) Capital structure and net worth or book value per share. (The exact privileges of each class of stock must be noted.)

Assets of an investment type must be revalued on the basis of their current market price and book value adjusted. In the past, book value has been used as the basis for most valuations of closely held securities. But today it is of less importance. Certainly in financial institutions, such as banks or insurance companies, book value is important, but in most other businesses it is far less significant than earning power. For example, a plant with a balance sheet value of $1,000,000 certainly is not worth that if it cannot produce net earnings. Likewise, a plant might be shown on the books with a very low depreciated value and still have tremendous earning power.

Earning Capacity Analysis

(4) **A careful analysis must be made of the earning capacity of the business.** Profit and loss statements for the last five years or more should indicate net earnings per share. In detail, excessive salaries and contributions and unusual expenses must be noted, since these might otherwise have been profits. An experienced security analyst, by careful study of operating records, can make a fair estimate of potential future earnings. This is probably the most important single factor in value. Obviously greater weight must be given to recent earnings and the trend that has been taking place.

(5) **Dividend paying capacity, rather than dividends actually paid, is always significant.** The dividends paid by many closely held businesses are determined by the income needs of the owners or their desire to avoid taxes on dividends received. In control stock, dividends paid mean little, since payment is discretionary with management. However, a corporation with a long steady dividend record merits a higher appraisal because of its investment prestige.

(6) **Goodwill is actually a reflection of earning capacity and can be considered only where such earnings exceed a fair return on tangible assets.**

Stock Sale a Factor

(7) **Recent sales of the stock, size of the block, and its control status are important.** Many sales of stock in closely held businesses do not represent arm's-length transactions. Distress sales or isolated sales in small amounts do not always indicate fair value. For example, a widow negotiating with the remaining owners of her husband's business seldom gets a fair price for her stock. This fact emphasizes a great disadvantage of a closely held business from an investment standpoint. Thus many private businesses have made a real effort to create a market for their stock, both to solve this problem of marketability and to simplify the valuation problem. A large block of stock in a closely held business cannot be discounted in value, solely because of the blockage discount in value recognized for listed stocks. But a large amount obviously restricts possible buyers and thus is a value factor.

Stock constituting control of the business, or easily combined with other holdings to establish control, is a very important added element of value. Minority stock, on the other hand, has little voice in the policies of the business, and without marketability can become "frozen."

Comparing Other Stock Values

(8) **One of the most effective methods of valuation consists of a comparison of this business or stock with the value of marketable stocks of corporations engaged in the same or similar lines of business.** This method is usually fair and accurate, but involves a great deal of work by a trained security analyst. Courts have generally favored this method if accompanied by expert testimony.

A statistical presentation can be made of figures covering five or 10 of the closest comparable companies in this industry. From this we can arrive at a very rough average for stocks of the industry. Let us assume they were selling as follows on the date involved:

90% of book value
130% of net working capital
9 times earnings for last year
13 times 5-year average earnings
Yielding 5% based on last year's dividends
Yielding 3½% based on 5-year average dividends.

By applying these average yardsticks to our stock, we can arrive at the approximate figure at which it would have to be priced to compete in the open market with other securities. This is the method used by securities underwriters in pricing a new issue of securities without a previous market history. This figure could be adjusted downward for such factors as:

Lack of marketability
Loss of key management
Lack of patent protection
New substitute or competitive products
A worn-out or obsolete plant
Unfavorable labor relationships.

Plus factors might be:

Control stock with management privileges, such as a salaried position.
Merger possibilities of majority stock
The "nuisance" value of some minority stock
A strong uptrend of earnings which could continue.

Fixed Formula Cannot Be Used

A fixed formula using these statistical factors alone cannot be used. This result should be considered as only one of the many factors discussed above to arrive at a reasonable figure for determination of value.

Frequently stock is subject to an agreement restricting its sale or transfer. Where stock is subject to an option by the corporation or individuals to repurchase at a certain price, that price is usually accepted for estate tax valuation purposes. But if this option is effective only on death and the stockholder was free to dispose during life, the option price becomes only one factor to consider. While a restricted price might be acceptable for tax purposes, it can be very unfair to a widow or retiring owner. A much safer method is to have an impartial appraisal by an experienced investment analyst.

In these tax problems, the burden of proof is on the taxpayer to prove a fair market value. He must have a detailed financial analysis and enough facts to convince the revenue agent or a tax court. With a careful presentation by a valuation specialist, many thousands of dollars in taxes might be saved.

College Club Opens New Roads to More Savings Business

BancOhio finds high new-business potential in important single-purpose savings market

RALPH L. MOHR

MR. MOHR *is assistant cashier of The Ohio National Bank, Columbus.*

THE BancOhio Corporation with headquarters in Columbus, operating 21 affiliate banks in the state, has recently initiated the promotion of the College Club program in all of its banks.

Since the close of World War II there has been an increased demand for men and women with higher education. Science and industry are faced with problems that can only be solved with people who have a wide educational background. This is a challenge to our youth and their parents in the years ahead.

The 21 affiliated banks operate 44 offices, all located in Ohio. In many of these communities or nearby areas are colleges. The continual contact with the faculty, students and parents proved to the management that we should promote a savings program that would encourage the thrift habit for the specific purpose of a college education. With this idea in mind, BancOhio investigated many plans. The College Club* was chosen because it supplied the high levels of inspiration and sound planning we were looking for.

The plan is based on teaching family thrift, developing the savings habit among children by making them a personal part of this savings program. It has many distinct advantages for the banks as it requires no special handling or extra forms. It represents a long-term savings account and has such a strong appeal for the saver to hold to his goal, it is believed this account would not be used for any other purpose except in emergency. The emphasis is placed on the plan, itself, as a means to accomplish a goal, rather than on interest rate.

As all the banks in the group operate independently, there are many College Club programs being used. Each bank arranged its promotion and operation to fit best the need of the community it serves. The following are only some of the highlights of the various programs.

An organizational meeting was held for all employees at which time we announced our decision to offer this service in our community. The present trend of bank savings deposits was explained and all employees were asked to promote the plan for the following reasons:

(1) Increase new savings accounts and at the same time promote all other services available at our bank. (2) The children would become acquainted with our bank and remain valued customers for many years. (3) To continue to provide our community with new services.

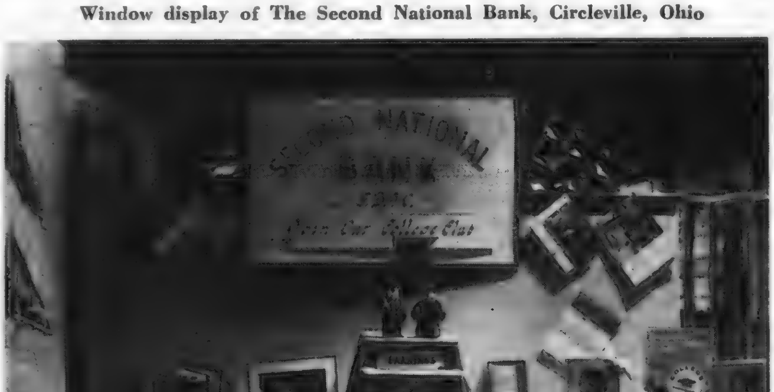
Public announcement coincided with the opening of school. All present advertising media were used —newspapers, radio, television, lobby and window displays, direct mail, and other methods. This concentrated promotion program ran through the month of September and then was added to the regular schedule of bank-services advertising.

Copies of folders and other informative material were given to each employee. The College Club kit was scheduled so that each employee would be able to study it before the next meeting.

The second staff meeting covered general discussion of the plan, with the promotion department designated to act as general chairman for clearing all plans and ideas, and other groups were appointed to handle the following specific jobs.

The advertising was no problem as the advertising material furnished by College Club was used. All we needed to do was schedule the mats

Window display of The Second National Bank, Circleville, Ohio



as they were to appear in the newspaper. The only additional work was preparing a full page color ad for the Sunday paper.

Top management helped on publicity and the selection of the family to open the first account. All the newspapers cooperated with our prepared news releases announcing the opening of the program. The next day the papers carried the picture and news item enrolling the first College Club member. Some of the banks had the picture enlarged, framed and gave it to the child. They also gave an enlarged picture to other people appearing in the photo. Their pleasure at receiving the picture resulted in fine publicity as they showed it to friends and business acquaintances.

Charles R. Keller, first-grade student at Central School, Logan, Ohio, opening College Club account No. 1 at the Farmers and Merchants Bank, assisted by his grandfather, Jacob A. Keller, assistant vice-president of the bank

Radio and Television

The College Club kit was given to the stations, and commercials were prepared with the suggested material furnished and the help of our staff. Our regular radio schedule is two commercial spots daily. College Club commercials were used exclusively the first week, once a day the second week, and every other day the third and fourth weeks.

Window and Lobby Displays

These displays were outstanding and only actual colored pictures could tell the story. The ingenuity shown by our employees was almost unbelievable. College Club lobby display cards were placed by the tellers' windows and everyone wore the "Ask About Our College Club" badge. These badges drew attention, and the first day some of them were worn by the employees as they went out to lunch. This was just an oversight at first, but because of the interest shown they were worn by many of the employees outside the bank the first week.

Direct Mail

The direct-mail campaign consisted of a letter enclosing a College Club folder to parents with children in the first to sixth grades. The parents' names were secured from the schools. Again, top management helped by talking to the school superintendents and on some occasions the school board, explaining College Club and what we hoped to accomplish for the parents and school children. The majority of school officials willingly gave their cooperation and endorsed our program as a good public service. The exceptions were due to school board regulations prohibiting the use of this information for commercial purposes. With this endorsement, we wrote each teacher a letter enclosing literature explaining College Club and asked them to contact us if we could be of help in answering any questions.

In our talks with school officials many other needs were discovered in which we could help the schools. Plans are now being made to show banking and thrift films and supply speakers to schools.

Civic Groups

We have arranged to give family thrift talks and show films to Parent-Teacher Associations and other civic groups. These talks are now scheduled, but must come later as all these groups have prearranged programs. One talk has been given because of a cancellation of a speaker for the September meeting.

The circulation department of one newspaper asked that we talk to all their newsboys about College Club.

The results of the College Club program to date include:

(1) *New Savings Accounts*—In the short time the plan has been in operation the rise in new accounts has been most encouraging. Most of the accounts are new customers who have expressed thanks for this new service. Surely over the years their accounts will grow and provide us an opportunity to sell the other services of our bank.

(2) *Public Interest and Acceptance*—The public is made keenly aware of thrift. We are having countless inquiries from parents, grandparents, and friends. They want to learn how the College Club plan will enable them to provide for a college education for their children. In fact, the plan is being received so well some of our competitors are now advertising "Save for a College Education."

(3) *Employees' Abilities* — The degree of success of a project of this nature depends largely on the enthusiasm and interest of the bank personnel. We have discovered a dynamic new sales force within our organization. Unknown talents for leadership, guidance, and initiative were found among the young officers in charge of this program.

Perhaps College Club's most important benefits will come from the intangibles of prestige and the sound public relations values it can contribute to our over-all community relations effort.

We know we are addressing an interested audience. We expect the combination of a well-conceived plan, consistent promotion, and wide staff enthusiasm will activate it to our advantage.

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* College Club Program, Inc., Division of Atlas Advertising Co., Brookline, Mass.

BANKING NEWS

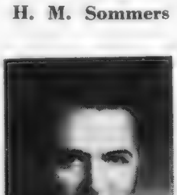
Creation of A.B.A. Department of Government Relations Brings Promotions; G. J. Kelly, C. R. McNeill Join Staff


J. O. Brott


C. A. Gunderson


H. M. Sommers


George J. Kelly


C. R. McNeill


C. T. O'Neill, Jr.

Expanded plans for the Washington activities of the American Bankers Association, including the creation of a new Department of Government Relations, the addition of two new staff members and the realignment of other duties were announced in a joint statement by then President Fred F. Florence, incoming President Erle Cocke, and Executive Manager Merle E. Selecman. Mr. Florence is president of the Republic National Bank of Dallas; Mr. Cocke is vice-chairman of the board of the Fulton National Bank, Atlanta; and Mr. Selecman is chief staff officer of the Association.

The new Department of Government Relations of the Association was created as of November 1.

Committee's Function

"This new department will make possible a greater coordination of the Association's activities in the broad field of Government relations," Mr. Florence stated. "It will include relations with Federal supervisory authorities and executive departments of Government and work on Federal legislation, relations with state bank supervisory authorities, and work on state legislation in cooperation with state bankers associations. It looks to greater dissemination of information on the varied activities in these fields and closer liaison with bankers in different states interested in the broad field of Government relations."

The director and chief administrative officer of this new department will be Carroll A. Gunderson, senior deputy manager of the Association. Mr. Gunderson, a native of Minnesota and a graduate of the St. Paul College of Law, has been with the A.B.A. for 12 years. In his new post he will continue as secretary of the National Bank Division.

George J. Kelly, national director of public relations of the American Legion, has joined the staff as director of information of this new department in Washington. Mr. Kelly attended school in Richmond, Va., and was graduated from Notre Dame University at South Bend, Ind. During World War II he served the Navy for three years as a carrier pilot. For nine years he has been with the Public Relations Department of the American Legion in Washington, and for the past two years has been national director of public relations for the Legion. He is a member of the National Press Club in Washington and lives with his wife and three children in Arlington, Va.

Henry M. Sommers will serve as secretary of the new department. Mr. Sommers is secretary and associate general counsel of the Association and secretary of its Committee on State Legislation. He will divide his time between the headquarters office in New York and the Washington office. As secretary of the new department, he will bring a greater coordination between state and federal legislative activities. Mr. Sommers, a member of the New York Bar, has been with the Association for 15 years and has been secretary of the Association since 1952.

As general counsel of the Association, J. O. Brott will continue to be the chief policy staff officer in Washington coordinate with Mr. Gunderson as chief administrative staff officer. The office of general counsel under Mr. Brott's direction will continue to be located in Washington. Mr. Brott, a native of Connecticut and a graduate of Yale and Yale Law School, has been with the Association's Legal Department for 22 years and has been general counsel of the Association since 1952.

Executive Manager Selecman has announced that Charles R. McNeill has been appointed assistant general counsel for the Association and will also be located in Washington. Mr. McNeill, assistant general counsel for the U. S. Treasury, will resign from that post December 1 to join the A.B.A. staff. Mr. McNeill is a native of Pennsylvania and a graduate of Amherst College and Harvard Law School. He practiced law

(CONTINUED ON PAGE 94)

Dates for National Credit, Instalment Credit Meetings

The dates for the ninth National Credit Conference and the eleventh National Instalment Credit Conference of the American Bankers Association, which will be held in Chicago early in 1957, have been announced by the Association. Both of the conferences will be held at The Conrad Hilton.

The National Credit Conference, sponsored by the Credit Policy Commission of the Association, will be held Monday, Tuesday, and Wednesday, January 14, 15, and 16, 1957.

The National Instalment Credit Conference, sponsored by the Instalment Credit Commission of the A.B.A., is being planned for Monday, Tuesday, and Wednesday, March 18, 19, and 20, 1957.

A.I.B.'s 55th Annual Convention Committee Chairmen Are Announced

Edward A. Wayne Will Be General Chairman; 5 Vice-chmn.

The chairmen of the committees for the 55th annual convention of the American Institute of Banking, to be held in Richmond, Va., May 27-31, 1957, were announced recently by Leroy S. Clark, president of the A.I.B. Mr. Clark is vice-president of The Marine Midland Trust Company of New York, New York City.

Edward A. Wayne, first vice-president, Federal Reserve Bank of Richmond, will be general chairman for the convention; and the general vice-chairmen will be Carlisle R. Davis, vice-president, State-Planters Bank of Commerce & Trusts; Lee F. Davis, vice-president, Central National Bank; R. W. Nuckols, vice-president, First & Merchants National Bank; Clair B. Strathy, vice-president and secretary, Federal Reserve Bank of Richmond; and Hartwell F. Taylor, vice-president, The Bank of Virginia. T. Kenneth McRae, First & Merchants National Bank, will be treasurer and chairman of the Finance Committee for the convention; and Robert G. Howard, Federal Reserve Bank of Richmond, will be convention secretary.

Other Committee Chairmen

The chairmen of the other local convention committees are:

DEBATE: C. Coleman McGehee, First & Merchants National Bank.

ENTERTAINMENT: Richard J. Jones, State-Planters Bank of Commerce & Trusts.

HALLS AND MEETING PLACES: H. Ernest Ford, Federal Reserve Bank of Richmond.

HOSPITALITY: Katherine G. Melton, State-Planters Bank of Commerce & Trusts.

HOTELS: Hilton J. Herrmann, Central National Bank.

INFORMATION: J. Gordon Dickerson, Jr., Federal Reserve Bank of Richmond.

PERSONNEL: James M. Slay, Federal Reserve Bank of Richmond.

PUBLIC SPEAKING: James W. Dodd, Jr., Federal Reserve Bank of Richmond.

PUBLICITY: Rawley F. Daniel, Virginia Bankers Association.

REGISTRATION: Robert A Browning, Jr., State-Planters Bank of Commerce & Trusts.

TRANSPORTATION: Hudson P. Hoen, Jr., Southern Bank and Trust Company.

UTILITY: William F. Gordon, The Bank of Virginia.

WOMEN'S: Lucylle Farmer, First & Merchants National Bank.

NABW Regional Vice-presidents

Regional vice-presidents of the National Association of Bank Women elected to serve for the ensuing year. Seated, *left to right*, Eva McBride, president, The Commercial Bank, Blue Hill, Nebr.; Helen C. Wardlaw, assistant vice-president, The Union National Bank, Charlotte, N. C.; Katherine E. Minor, assistant branch manager, The First National Bank of Boston. Standing, *left to right*, Julia W. Stoney, assistant cashier, The Continental Bank and Trust Company, Salt Lake City; Dollie Riviere, assistant vice-president, Tyler (Texas) Bank & Trust Co.; Mary Adele Givens, pro-manager, Pullman Branch, Seattle-First National Bank; Irene M. Cole, Union Bank of Michigan, Grand Rapids; and Mildred N. Whitby, assistant vice-president, The National Bank of Olyphant, Pa.

A. B. A. Membership Stands at 17,385 Banks and Branches, Representing Over 99% of All Bank Resources

As thousands of bankers and their wives from all parts of the United States gathered in Los Angeles for the 82nd annual convention of the American Bankers Association, Glen C. Mellinger, chairman of the Association's Organization Committee, reported that 17,385 banks and branches were members of the A.B.A. on August 31, the close of the Association year. Mr. Mellinger is vice-president of The Detroit Bank.

The membership is made up of 13,906 banks, 3,303 branches, and 176 members in foreign countries. During the past year, the Association's membership increased by 245 banks and branches. Included are over 98% of the banks in the United States and over 99% of the nation's banking resources.

In 22 states and the District of Columbia, every bank is a member of the A.B.A.; and in seven states, not more than two banks are non-members. The states with 100% membership are Arizona, Arkansas, Colorado, Delaware, Georgia, Idaho, Louisiana, Maryland, Mississippi, Missouri, Montana, Nevada, New Jersey, New Mexico, North Carolina, Oregon, Rhode Island, Utah, Vermont, Virginia, Washington, and Wyoming.

The A.B.A. has members in every state in the Union and in Alaska, Bermuda, Bolivia, Brazil, Canada, Cuba, France, French West Indies, Great Britain, Hawaii, Honduras, India, Japan, Mexico, Philippine Islands, Puerto Rico, Salvador, Tangier, Venezuela, and the Virgin Islands.

John W. Kress, executive vice-president, The Howard Savings Institution, Newark, N. J., is vice-chairman.

The regional vice-presidents dur-

(CONTINUED ON PAGE 94)

Western Secretaries Conference

Western Secretaries Conference in Seattle, with the executive secretaries from 10 states attending. *Left to right,* O. T. Highfill, Casper, Wyo.; J. C. Hester, Santa Fe, N. M.; H. B. Crandall, Salina, Utah; R. C. Wallace, Helena, Mont.; J. E. Beaupert, Reno, Nev.; S. W. Guthrie, Boise, Idaho; O. R. Mennenga, San Francisco, who is president, A.B.A. State Association Section; C. R. Lee, Seattle, Wash.; S. A. MacEachron, Portland, Ore.; and G. R. Amy, A.B.A. deputy manager and secretary, State Association Section. E. T. Schall, Phoenix, Ariz., president of the Western Conference, was present but is not shown in photograph

Creation of A.B.A. Department of Government Relations Brings Promotions; G. J. Kelly, C. R. McNeill Join Staff

(CONTINUED FROM PAGE 92)

in Erie, Pennsylvania, for four years, and, in 1943, joined the legal staff of the Treasury in Washington. During the 13 years he has been with the Treasury, he has served in many legal capacities including legal counsel for the U. S. Executive Director of the International Monetary Fund and technical adviser at several meetings of the Fund and the International Bank for Reconstruction and Development. In 1950 he was U. S. Treasury representative of the U. S. delegation to GATT in Geneva. Since 1952 he has been assistant general counsel of the Treasury. He is married and has three children.

C. T. O'Neill Promoted

Charles T. O'Neill, Jr., assistant to the general counsel, has been named assistant secretary of the Association's Committee on Federal Legislation. Mr. O'Neill is a graduate of the University of Virginia and of its Law School. He has been in the office of general counsel of the Association in Washington for 10 years.

Miss Thelma Boes, who has been assistant secretary of the Committee on Federal Legislation and secretary to General Counsel Brott, has been named office manager for the Association's Washington office.

In announcing these changes, the officers of the Association stated that they were part of the program instituted several months ago to strengthen and to coordinate relationships with the supervisory and legislative branches of both Federal and state governments and with the activities of state bankers associations in these fields.

Members Stand at 17,385

(CONTINUED FROM PAGE 93)

ing the past year were A. G. Elam, regional vice-president emeritus, and president, Southern Commercial & Savings Bank, St. Louis; W. A. Borders, president, St. Louis County National Bank, Clayton, Mo.; W. A. Canary, cashier, The Footville (Wisc.) State Bank; H. S. French, president, Manufacturers National Bank of Chicago; F. L. Gardner, president, Citizens Union Bank, Rogersville, Tenn.; C. M. Goldthwaite, assistant vice-president, Merchants National Bank of Boston; J. W. Johnston, assistant vice-president, The Hanover Bank, New York City; J. B. Keeline, president, Central Trust & Savings Bank, Cherokee, Iowa; Murray Kyger, executive vice-president, First National Bank, Fort Worth; C. W. McCoy, vice-president, City National Bank & Trust Company, Columbus, Ohio; G. H. Miller, Jr., president, Culpeper (Va.) National Bank; M. M. Parker, executive vice-president, First National Bank, Lebanon, Pa.; and F. W. Thomas, president, Washington Loan & Banking Company, Washington, Ga. J. R. Dunkerley, senior deputy manager of the American Bankers Association, New York City, is secretary; and George H. Gustafson of the American Bankers Association, New York City, is assistant secretary.

U. S. Treasury Cites Fred Florence

Fred F. Florence, retiring president, American Bankers Association, received a citation on October 23 from the United States Treasury Department for patriotic service in promoting U. S. Savings Bonds sales during his presidential term. The citation was made by Under Secretary of the Treasury W. Randolph Burgess.

Mr. Burgess read the official citation to President Florence, which says:

"Your leadership in promoting United States Savings Bonds during your Presidency of the American Bankers Association has been a notable contribution to the Treasury's program. Your patriotic service will be long and gratefully remembered."

Members of the A.B.A. Savings Bonds Committee for 1955-1956 include: W. H. Neal, Wachovia Bank and Trust Co., Winston-Salem, N. C., chairman; Bruce Baird, National Savings & Trust Co., Washington, D. C.; W. J. Braunschweiger, Bank of America, Los Angeles; R. F. Daniel, Virginia Bankers Association, Richmond; Gordon Jones, Fulton National Bank, Atlanta; R. W. Kneebone, National Bank of Commerce, Houston; E. R. Muir, The Louisville (Ky.) Trust Co.; R. P. Parish, Jr., The Bank of Greenwood, Miss.; R. W. Sparks, The Bowery Savings Bank, New York City; R. I. Stout, First National Bank, Tekamah, Nebr.; and Rudolph R. Fichtel, American Bankers Association, New York, secretary.

News On Savings

Items and Comment from Our Savings and Mortgage Division and Other Sources

New York Bankers Present Conflicting Views on Banking Law Changes

FOR six years the mutual savings banks in New York State have attempted to have the New York Banking Law amended to allow them wider branch banking privileges, especially in the suburban areas. The New York State commercial banks, on the other hand, have opposed these banking law changes and have successfully blocked legislative changes.

The State Legislature, at its last session, authorized a Joint Legislative Committee to Revise the Banking Law, with Senator George H. Pierce, Republican of Olean, N. Y., as its chairman. This committee is now holding hearings in various parts of the state, with both the mutual and commercial banks presenting their viewpoints.

Judge Penney for Mutuals

Speaking for the mutual savings banks, Judge George M. Penney, chairman, Committee on Legislation, Savings Banks Association of the State of New York and president, Oswego City Savings Bank, stated recently:

"We have been handicapped by two problems: First, there are great areas of New York State which are not served by savings banks, due both to historical accident and archaic legal restrictions on the establishment of savings bank branch offices. Today, 28 of the 78 counties in the state have no savings banks; every one of the 28, however, has a goodly number of commercial banks. The gentlemen running many of these institutions have made sure their state senators and assemblymen know their point of view on preserving the status quo.

"Secondly, we have believed too long that, because we know justice is on our side, the law would be corrected without our having to quarrel in public with our friends who run the commercial banks in this state. . . .

George M. Penney

George A. Newbury

"The savings banks industry, in cooperation with the New York State Joint Legislative Committee, has attacked this problem intelligently, soundly, and thoroughly. . . . They have studied the role of savings banks in helping to create and to sustain the economic well-being of our fellow-citizens and our institutions.

"These studies have produced irrefutable documentation of the need for savings bank branch banks in many areas. These studies will be published early in the fall. . . ."

Judge Penney stated further:

"Inasmuch as commercial banks in New York State may open branch banks anywhere in their banking district, which includes at least three counties, and state-chartered savings and loan associations may have branches up to 50 miles distant from their main offices, it hardly seems fair to continue the present restrictions on savings banks, limiting branches to the city, town, or village in which the main office is situated and, in New York City, limiting branches to the borough of the city in which the main office is located."

Mr. Newbury for Commercials

George A. Newbury, president, Manufacturers and Traders Trust Company, Buffalo, is chairman of the New York State Bankers Association's Committee to Study the Banking Structure.

"Mutual savings and thrift institutions have shown a virtually explosive growth over the past decade as compared with that of commercial banks," Mr. Newbury said recently.

"Taking into account both demand deposits and savings deposits, commercial banks show a growth over the 10-year period 1945 to 1955 of $37,538,000,000. The mutual savings banks and savings and loan associations show a growth over the same period of $36,440,000,000. Percentagewise this represents a growth of commercial banks over the past decade of 27.5%. As to the mutual savings banks it represents a growth of 83.2% and as to the savings and loan associations a growth of 320.9%.

"If this disparity in rate of growth were to continue for another decade the result might be calamitous to our banking structure."

Continuing, Mr. Newbury declared that "the unfortunate part of it is that this upsurge of the mutuals falls most heavily on the smaller banks which traditionally and of necessity have depended largely on savings deposits to service the banking needs of their communities."

In a recent appearance before the Joint Committee in behalf of commercial bankers, Arthur T. Roth, president, The Franklin National Bank, Franklin Square, N. Y., contended that long-range principle, not short-term expediency should be the

basis for the solution to the problem; commercial banks are indispensable to the existence of the economy; big-business is the changed nature of savings banking; 52% of New York's commercial banks are under $5,000,000 in deposits and are real community banks; "flight money" means the siphoning-off of funds by New York State savings banks to states outside of New York, causing economic stress at home; double-standard of unequal taxation and reserve requirements is the underlying cause of controversy between savings banks and commercial banks; only 17 states have savings banks which emphasizes their dispensability; over-concentration of deposits in savings banks may lead to an over-concentration in mortgage investments; depositors do not own a savings bank, as they have no voice in its management; and surplus funds of savings banks represent inert non-tax-paying and non-ownership wealth as compared to commercial bank stock ownership, which is the American way of doing business.

Senate Majority Leader Walter J. Mahoney, speaking on behalf of Chairman Pierce at a press conference conducted by the Joint Legislative Committee, said that every effort would be made to solve the branch bank controversy by the January session of the State Legislature. He indicated that the Joint Committee is considering separating the branch controversy from the overall study and that remedial legislation would be forthcoming in January. He expressed the hope that this would remove a major area of disagreement so that a more mutual cooperative spirit would be secured from interested groups.

College Club Savings

The 3-year old youngster and an attractive secretary helped the Citizens & Southern National Bank of Atlanta, Ga., kick off its new C&S College Club savings program. Young Kim Burgess ponders his choice between rivals, Georgia Tech and Georgia U, as Betty Jean Gantt holds the pennants for him. His mother brought Kim to a C&S Atlanta office to open a College Club savings account. **See also page 90**

G. D. Eastwood, vice-president, National Bank of Tulsa, presents a $50 savings account to Rosemary Wright, *right*, and a $30 account to Madolia Yeargain, *center*, for winning the top prizes in the bank's savings account contest

Savings Employee Contest

THE National Bank of Tulsa has just completed an inter-bank contest on "A Bank is the Best Place to Save Because" . . . with gratifying results. A total of $130 in savings account prizes was given to the six top winners. The underlying purpose of the contest, open to employees only, was to acquaint them with the many advantages that commercial banks can offer their savings account customers.

Group meetings were held in which those attending were given a concise explanation of various types of savings plans; of the details of the contest; and other pertinent information.

Savings Up, But Haven't Kept Pace With Income

"WHILE savings deposits in banks and other savings institutions have continued to grow, the rate has not kept pace with the rate of personal income," Earle A. Welch, president of the A.B.A. Savings Division, said at the annual meeting of the Division during the Association's 82nd annual convention in Los Angeles. "People apparently are not saving as large a proportion of their income as they once did," Mr. Welch said, "for the business boom we have been experiencing in recent years has been sparked by less savings and more spending!"

Mr. Welch, who is treasurer of the Meredith Village (N. H.) Savings Bank, pointed out that "the dollar volume of savings, as compared with other years, remains high and is impressive."

Continuing, he said that "during the first six months of 1956 savings as a whole increased a little more than $7-billion, an increase of $1-billion over the previous six-months' period, and is $300,000,000 more than the corresponding period in 1955."

"Savings for the country as a whole, as reflected in the principle types of savings institutions and other lenders," added Mr. Welch, "now total $247-billion. Savings are up $11-billion over last year, and nearly $50-billion during a 5-year period. Total savings from all sources have increased $105-billion, or 74%, since the termination of World War II in 1945.

"Banks have played an important part in this savings growth. Time deposits in banks increased over $3-billion for the year ending June 30, 1956. Savings and time deposits in commercial banks now stand at $49½-billion, and in mutual savings banks $29-billion."

On the subject of interest rates, Mr. Welch stated:

"In both the fields of savings and of real estate credit, interest rates are dominant news. Savings and loans are advertising extensively—in the West particularly—for savings, offering a 4% rate to attract savings funds. This is real competition for commercial banks in these

areas, who must follow more conservative lending policies, and further are not allowed by regulations to pay in excess of 2½%.

"And in the mortgage field, interest rates are playing a major role in market terms for fixed income mortgages, and in many instances are responsible for a return to the conventional loan as a means of mortgage financing, where interest rates have flexibility and a par market can be maintained."

"Save-O-Rama" Plan

A NEW plan to make regular saving as much a part of the budget as the monthly mortgage payment or car payment is now offered by La Salle National Bank, Chicago. Called "Save-O-Rama," the plan provides the depositor with a coupon book very similar to those used throughout the country for time-payment instalments.

Each coupon book is illustrated with an attractive label which shows the particular depositor's reason for establishing his account.

The plan calls for semi-monthly payments to be made by the 3rd and 18th of each month for a period of 12 months. Payments may be made in denominations of $5, $10, $20, or $40 each period. The bank will pay interest at maturity to those who have met the payment dates on time.

Veterans' Mortgage Forums

FORUMS on processing and servicing Veterans Administration mortgages were held at The Philadelphia Saving Fund Society for 120 officers and mortgage personnel of the mutual savings banks in the Philadelphia area.

Charles I. Engard, loan guarantee officer of the Philadelphia Veterans Administration, and his staff, conducted the forums sponsored by PSFS and the Beneficial Saving Fund Society.

News for Mortgage Credit Men

Items and Comment from Our Savings and Mortgage Division and Other Sources

Mortgage Credit Trends

"MUCH of the expansion in savings seems to have found its way into mortgages as a primary source of investment," said Earle A. Welch, president of the American Bankers Association's Savings and Mortgage Division, at the A.B.A.'s Los Angeles convention.

"For the first six months of 1956," he said, "a total of $13.5-billion in mortgages have been made throughout the country, which is the second highest volume of mortgage lending activity for a similar period on record."

Recordings of Nonfarm Mortgages of $20,000 or less

(amounts in millions)

Type of mortgagee	July Amt. 1956	July % Inc. from 7/55	1st 7 months Amt. 1956	1st 7 months % Inc. from 1955	Percent of Total July 1956	Percent of Total 1st 7 mos. 1956	Percent of Total 1st 7 mos. 1955
S&L assns.	$ 851	−11	$ 5,608	− 9	36	35	38
Ins. cos.	159	− 1	1,067	− 7	7	7	7
Comm. bks.	464	− 2	3,262	+ 4	19	21	19
Mut. svgs. bks.	168	− *	996	− 1	7	6	6
Individuals	307	+ 9	2,073	+ 8	13	13	12
Miscellaneous	425	− *	2,869	− 5	18	18	18
Total	$2,374	− 4	$15,875	− 3	100	100	100

* Less than 0.5%.

Source: Federal Home Loan Bank Board.

Pointing to the rapid growth in the volume of mortgage lending, Mr. Welch compared the volume at the end of World War II with mid-1956. "On December 31, 1945," he said, "mortgage loans were outstanding in banks and all types of lenders in the amount of $35½-billion. On June 30, 1956 they stand at approximately $138-billion."

He said that it is impossible to discuss "the growth in mortgage lending activities without referring to the influence of insured and guaranteed lending in the mortgage volume. FHA and GI loans now account for nearly 45% of all mortgages on 1- to 4-family residential property."

"FHA, during its lifetime," he said, "has insured a total of some 23,500,000 mortgage loans, for a dollar volume of $41½-billion. During the month of June this year, FHA insured 110,000 mortgages for a total of nearly $280-billion. For the first six months of this year FHA has insured 600,000 loans for a total of 1¾-billion.

"With amortization and payoffs deducted from the total of FHA loans which have been insured, the net amount of FHA loans presently outstanding is $15-billion."

President Welch summarizes his remarks on developments in the savings and mortgage fields:

"We continue to experience growth in savings and in mortgage credit, but the signs on the horizon are unmistakable that a readjustment process is afoot. Higher interest rates to attract savings, discount prices on mortgage loans, a large volume of current construction with indicated downtrend in the volume of new housing starts, Government agency market supports for insured and guaranteed loans, and ever more demand for more liberal credit terms—all foretell a changing trend. We are at the crossroads for certain, in which sound thinking, planning, and action is of vital importance for banking.

"We need to build up savings accounts and encourage thrift. We need to reinvest that savings in good sound mortgage credits at a fair going rate, and in sound long-term projects which strengthen our economic growth. This is our goal."

New Group-Type Insurance

WILLIAM COLLINS, supervisor of the financial risks section of

Continental Casualty Company, Chicago, recently announced a new package plan that protects the mortgagee by protecting the mortgagor at a time of catastrophe.

"Through this Mortgage Payment Protection Plan," said Mr. Collins, "the mortgagee can help his house owners reach the goal of a mortgage-free home and, also, protect the survivors in the event of catastrophe. At the same time, the lending institution will be helping itself by virtually eliminating delinquency due to accident or sickness and foreclosure due to accidental death. In addition, the Continental program can offer many benefits to the mortgage institution through an increase in the market value of insured mortgages and a generous share of excellent customer reaction."

VHMCP Has Brought Home Ownership to Small Towners

MANY Americans in small communities where mortgage money has been unavailable or in scant supply have been helped to become home owners by the Voluntary Home Mortgage Credit Program, it was noted recently by Joseph R. Jones, chairman of the Committee on Real Estate Mortgages, Savings and Mortgage Division of the American Bankers Association, in commenting on the annual report of the Program made public by its chairman, Albert M. Cole. The VHMCP is a program of privately owned and operated lending institutions which has proved effective in promoting the flow of housing credit into remote areas and small communities where there is a need.

Mr. Jones, who is vice-president of the Security-First National Bank of Los Angeles, said: "A measure of the effectiveness of the program is the fact that nearly 21,000 families obtained more than $183,000,000 in mortgage loans through VHMCP by August of this year. During August, loan commitments placed with lenders reached $15,000,000 in the face of a tightening money market.

The VHMCP requires a very small expenditure on the part of the Government—only funds necessary for staff and facilities to coordinate the flow of mortgage funds from credit institutions in large centers to prospective home owners who are seeking credit from banks and other lenders in small communities. In doing this job, the Government is relieved of the responsibility of making direct loans to veterans and other prospective home owners; and the credit is not inflationary.

Housing Starts

A COMPARISON of nonfarm dwelling unit starts for the first nine months of 1955 and 1956:

1955	*1956*
1,057,700	875,900

New permanent nonfarm dwelling starts in September totaled 93,000. The 1956 starts are approximately one-sixth below the high volume of last year for the same period, but are keeping close to the starts during the same months of 1951-54.

New "Mortgage Lending" Is a Basic, Practical Guide

A BOOK entitled *Mortgage Lending,* which sets forth the fundamentals and practices of mortgage activities by lending institutions, has been written by Willis R. Bryant, vice-president, American Trust Company, San Francisco. It is a basic and practical guide to all phases of mortgage lending and covers building, buying, and remodeling of residential and industrial properties. It has just been published by the McGraw-Hill Book Company, Inc.

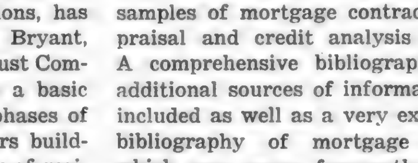
The book contains a history of important developments in the mortgage lending field during the past 30 years, including changes in conventional lending practices, the introduction of insured and guaranteed loans, and summaries of the important acts of Congress which have affected housing and mortgage credit business.

Step-by-step procedures for the borrower and for the lender are described from the filing of the mortgage application through complete processing, credit determination, and appraisal, and culminating in the completed mortgage transaction.

A section of the book is devoted to the latest governmental activities in the control of mortgage lending, the latest FHA and VA operating procedures, discount operations, and loan warehousing operations. The availability of mortgage credit and its effect upon the mortgage market are also covered in detail.

While it is an authoritative book on all phases of mortgage lending activities, it is adaptable as a textbook as well. It contains a summary at the end of each chapter, a list of assignments that might be used, and questions relating to the important phases covered in each chapter.

It contains figures and charts, samples of mortgage contracts, appraisal and credit analysis forms. A comprehensive bibliography for additional sources of information is included as well as a very extensive bibliography of mortgage terms which are more frequently used. Some of the book's source material was provided by the American Bankers Association.



"Yes, ma'am, you could call it a money-back guarantee. Your money is here any time you want it!"

News for Trustmen

Items and Comment from Our Trust Division and Other Sources

Publish Complete Revision of "Common Trust Funds"

WITH the common trust fund becoming a tool of increasing importance in the trust business, the American Bankers Association is now readying a new handbook to aid banks and trust companies who are considering establishment of a common trust fund. The book, "Common Trust Funds," will be published by the Trust Division of the A.B.A. early in November and made available to all A.B.A. member banks.

The new 195-page book is a complete revision of similar books published in 1939 and 1948. According to the Trust Division, it has two purposes: (1) to explain the points which should be considered by a trust institution in deciding whether or not to establish a common trust fund, and (2) to describe the methods by which such funds may be established and operated. It therefore combines in one volume most of the information a trust institution should have before embarking on a common trust fund.

In a preface to the book, Richard P. Chapman, immediate past president of the Trust Division, and president of The Merchants National Bank of Boston, Massachusetts, notes that "forty-seven states and the District of Columbia now have adequate enabling legislation for the operation of common trust funds, most of which has been added in the last fifteen years."

Graduates of recent 11th annual Illinois Bankers Association Trust Development School—26 bankers from seven states, with, *fourth and fifth from left, front row,* Harold J. Clark, director of the school, and Layman L. Hay, chairman of the school committee and trust officer, City National Bank and Trust Company, Chicago

Mr. Chapman cites the growing importance of common trust funds in the trust business, pointing out that "at the time of the second edition of this book in 1948, there were about 50 trust institutions operating a total of about 60 funds. Today there are some 188 trust institutions in the United States and Canada operating a total of 233 funds, and the number is constantly increasing.

"Common Trust Funds" is divided into five major sections: (1) Factors to be considered before establishing a common trust fund; (2) deciding upon the type of fund to be established; (3) drafting the plan or declaration of trust; (4) installation operation of the fund; and (5) tax phases of the fund.

The book is the work of the Trust Division's Committee on Common Trust Funds, of which Charles F. Zukoski, Jr., executive vice-president and trust officer, First National of Birmingham, Ala., is chairman. Other members are: Russell J. Clark, vice-president, Marine National Exchange Bank, Milwaukee; Wilmot R. Craig, vice-president and trust officer, Lincoln Rochester Trust Company, Rochester, N. Y.; G. H. Lawhead, vice-president and trust officer, The Flat Top National Bank, Bluefield, W. Va.; Hollis B. Pease, vice-president, The Hanover Bank, New York City, and W. B. Walker, vice-president, The Canal National Bank of Portland, Maine.

Copies of "Common Trust Funds" will be available to A.B.A. member banks for $5 by writing to the Trust Division, American Bankers Association, 12 East 36th Street, New York 16, New York.

Officers' space in enlarged and remodeled trust department of Central Trust Company, Cincinnati. The room has a "ceiling of light." In right background is customers' lounge

PBA Plans Trust School

A TRUST Training School will be held by the Pennsylvania Bankers Association next summer at Pennsylvania State University. The dates: Sunday to Saturday, June 23-29, 1957.

The school will be sponsored jointly by the PBA Trust Division and the University, through its College of Business Administration.

The Director of the school will be William E. Abel, vice-president and trust officer, Barclay-Westmoreland Trust Co., Greensburg, who is chair-

man of the PBA Trust Education Committee. Associate director will be Walter A. Brunke, trust officer, Fulton National Bank, Lancaster, also a member of the committee.

The school curriculum is to follow a 3-year cycle, with different phases of trust department functions covered each year. The first year is to be concentrated on trust operations—primarily orientation, accounting, file procedures, real estate and mortgage operations, and vault procedures.

Registration is not limited to any set figure. The Trust Education Committee is working out final details on the curriculum and is selecting its faculty.

"Scott on Trusts" Revised

PUBLICATION is announced of the new completely revised edition of *The Law of Trusts* by Austin Wakeman Scott. Usually referred to as *Scott on Trusts,* it runs to five volumes and is generally considered the finest work in its field.

Professor Scott's invaluable treatise is reviewed on page 59 of this issue.

Hold Fourth Tax Meeting

THE University of Texas School of Law conducted during October its fourth annual tax conference on estates, trusts, and gifts. Judge John R. Brown, Circuit Judge of the United States Court of Appeals for the Fifth Circuit, presided over the conference.

The program was designed to reach the problems of the attorney in general practice, the trust officer, the life insurance underwriter, and the accountant, in relation to estates, trusts, and gifts.

News for Instalment Credit Men

Items and Comment from Our Instalment Credit Commission and Other Sources

Shawmut's Revolving Loan Utilizes Checking Account

THE National Shawmut Bank of Boston has established a new revolving loan fund arrangement—with a difference. This one works through the customer's personal checking account.

Called the Shawmut Standing-Credit Service, it works this way:

(1) John Smith would like established in his name bank credit to a total of, say, $2,000. He mails to the bank a form showing the total credit wanted. When the bank has approved, a credit of $2,000 is established in the name of John Smith. If he doesn't use any of it, there's no charge.

(2) Smith decides he wants $1,000 to pay medical expenses and pay off a bill at the department store. He sends to the bank a form asking for $1,000. Since his line of credit already exceeds this amount, the bank immediately credits $1,000 to Smith's personal checking account. Smith then writes his own personal checks to cover his bills.

(3) Monthly principal and interest payments of 1% per month on the unpaid principal are deducted from Smith's checking account on the 5th, 10th, 15th, 20th, 25th, or 30th of the month, selected by Smith as most convenient. Smith also determines the length of time he will take to repay—6 to 36 months.

(4) Smith still has credit with the bank of $1,000. The minute he repays any part of what he has borrowed, the amount of that payment is added to the remaining part of the total credit he has established at the bank. If he pays back $50 on his first repayment (deducted automatically from Smith's checking account at the bank), he now has a standing line of credit of $1,050. He can borrow all or any part of that immediately, so long as he stays within the $2,000 total credit in his name. As the bank explains it: "Your 'Standing Credit' is a revolving loan fund which refills for re-use as you repay. While you are repaying one loan, you can borrow again. You don't even have to file another application. Your 'reserve' rebuilds itself."

(5) Life insurance, with premium paid by the bank, covers the amount Smith actually owes—this as a protection for his family.

Politics, Implications, and Opinions on Instalment Debt

LOUIS J. ASTERITA, deputy manager of the American Bankers Association, in an address to the second Consumer Credit Clinic of the South Carolina Bankers Association, noted that this type of credit seems to come in for an unusual amount of publicity—some good, and some not so good.

"Why," questioned Mr. Asterita, "do so many authorities, keen observers and economists, have such varying views on the economic implications of the present and possible future volume of this debt?"

This volume has become a political controversy on a very high level, he declared. Adlai Stevenson, in a recent speech in New England, suggested that our prosperity was getting too dependent on an overexpansion of consumer credit.

In answer, President Eisenhower said that "consumer credit has gone up some, it is true. But, consumer credit in relation to total gross national product and to the cash money that is being spent is not out of line."

As Mr. Asterita sees it, "expansion of credit is necessary to economic growth. Therefore, we must tie instalment credit into our great national industrial expansion. Everyone will agree that the progress we have made so far could not have been accomplished without the vehicle of instalment credit. The question of how high instalment credit should be is immaterial so long as it grows healthy and strong with our growing healthy economy."

Mr. Asterita also discussed selective controls. "In my opinion," he said, "once we start superimposing upon general monetary controls any form of selective controls during peacetime—unless a state of emergency is declared—we are starting down the route to socialized credit, from which there may be no turning back."

CALENDAR 1956-1957

American Bankers Association

Nov.	15-16	25th Mid-Continent Trust Conference, Drake Hotel, Chicago
Dec.	10-12	Agricultural Credit Conf., Statler Hotel, St. Louis, Mo.
1957		
Jan.	14-16	National Credit Conference, Conrad Hilton Hotel, Chicago
Feb.	4- 6	Midwinter Trust Conference, Waldorf-Astoria, New York City
Mar.	11-13	Annual Savings and Mortgage Conference; National School Savings Forum, Hotel Roosevelt, New York City
Mar.	18-20	National Instalment Credit Conference, Conrad Hilton Hotel, Chicago
May	27-31	American Institute of Banking, John Marshall Hotel, Richmond, Virginia

State Associations

Nov.	6- 8	Savings Banks Association of New York, The Greenbrier Hotel, White Sulphur Springs, W. Va.
Nov.	8-10	Arizona, Arizona Biltmore Hotel, Phoenix
Nov.	11-13	Kentucky, Phoenix Hotel, Lexington
1957		
Mar.	28-30	Florida, Hollywood Beach Hotel, Hollywood
Apr.	23-25	Ohio, Sheraton Gibson Hotel, Cincinnati
May	4-10	Georgia, Cruise to Bermuda, S. S. Queen of Bermuda, via New York
May	5- 7	Louisiana, Buena Vista Hotel, Biloxi, Miss.
May	7- 8	Tennessee, Hermitage Hotel, Nashville
May	8-11	Pennsylvania, Chalfonte-Haddon Hall, Atlantic City
May	9-10	Oklahoma, Mayo Hotel, Tulsa
May	10-11	North Carolina, The Carolina Hotel, Pinehurst
May	10-11	North Dakota, Ray Hotel, Dickinson
May	12-14	Missouri, Muehlebach Hotel, Kansas City
May	12-14	Texas, Galvez Hotel, Galveston
May	15-16	Indiana, French Lick Springs Hotel, French Lick
May	16	Delaware, DuPont Hotel, Wilmington
May	16-18	Kansas, Wichita
May	16-18	South Carolina, Francis Marion Hotel, Charleston
May	19-21	California, Ambassador Hotel, Los Angeles
May	20-22	Arkansas, Arlington Hotel, Hot Springs
May	20-22	Illinois Sheraton-Jefferson Hotel, St. Louis
May	20-22	Mississippi, Buena Vista Hotel, Biloxi
May	22-25	New Jersev, Chalfonte-Haddon Hall, Atlantic City
May	23-24	Alabama, Mobile
May	24-25	New Mexico, LaFonda Hotel, Santa Fe
May	25-June 1	Maryland, Cruise to Nassau and Havana S.S. Queen of Bermuda
June	3- 5	Alaska, Mt. McKinley Park Hotel, Mt. McKinley National Park
June	7- 8	Connecticut Equinox House, Manchester, Vt.
June	7-8	South Dakota, Alex Johnson Hotel, Rapid City
June	9-12	Idaho, The Lodge, Sun Valley
June	12-16	Dist. of Col., The Greenbrier, White Sulphur Springs, Va.
June	13-15	Montana, Canyon Hotel, Yellowstone National Park
June	13-15	Virginia, The Homestead, Hot Springs
June	14-15	*New Hampshire, Wentworth-by-the-Sea, Portsmouth
June	14-15	*New Hampshire Mutual Savings, Wentworth-by-the-Sea, Portsmouth
June	14-15	Vermont, Equinox House, Manchester
June	16-18	Washington, Chinook Hotel, Yakima
June	17-19	Wisconsin, Schroeder Hotel, Milwaukee
June	19-21	New York, Lake Placid Club, Lake Placid
June	20-22	Michigan, Sheraton-Cadillac Hotel, Detroit
June	21-22	New Jersey Mutual Savings, Monmouth Hotel, Spring Lake
June	21-23	Maine, Poland Spring House, Poland
June	23-25	Oregon, Multnomah Hotel, Portland
Oct.	11-12	New Hampshire, (Fall Meeting) Mountain View House, Whitefield
Oct	13-15	Connecticut Mutual Savings, Mountain View House, Whitefield, N. H.
Oct.	20-23	Iowa, Fort Des Moines Hotel, Des Moines
Nov.	13-14	New York Mutual Savings, Fontainebleau Hotel, Miami Beach

*Joint meeting

Other Organizations

Nov.	25-30	Investment Bankers Assn. of America, Hollywood, Florida
Dec,	2- 4	Southern Secretaries Conf., Cloister Hotel, Sea Island, Ga.
1957		
Jan.	8- 9	Eastern Secretaries Conf., The Warwick, Philadelphia, Pa.
Apr.	25-27	Independent Bankers Association, Golden Gate Hotel, North Dade, Florida
Oct.	6- 9	Robert Morris Associates, Shoreham Hotel, Washington, D. C.
Oct.	7-10	National Assn. of Bank Women, Sheraton Plaza Hotel, Boston, Mass.

All associations are invited to send in dates of their forthcoming meetings for this calendar.

Washington

(CONTINUED FROM PAGE 41)

bank on every call for a statement of condition. In particular, simpler forms of reporting would be provided for smaller banks than for larger ones.

Many state laws now compel banks to publish reports of condition, and so does the Federal Reserve Act. The Board asked for discretionary publication power in order that banks would not have to go to the expense of publication under both state and Federal laws.

Under the FR Act, banks are not required to publish reports of earnings, dividends, and expenses. Many state member banks do publish these reports, however. The Board asked for discretionary power to compel publication of such reports.

At present some state nonmember banks absorb, or have absorbed for them by correspondents, exchange charges on checks in those areas where exchange charges are prevalent. The Federal Reserve Board said it takes the view that these absorptions constitute the crediting of "interest" on demand deposits.

However, the Board indicated that it would like to have legislation placing nonmember insured and member banks in the same position, whichever practice is permitted.

Other Board Suggestions

Other proposals of the Board included:

That the exemption from the rule that a bank cannot lend to an officer be increased to $5,000 from $2,500, the present limit.

That the Board be authorized or directed to pay 90% of Reserve bank net earnings to the Treasury as a franchise tax.

That all dividends received on Federal Reserve bank stock (not just that issued since the Public Debt Act of 1942) be subject to taxation.

That, subject to the approval of the Board, a state member bank may temporarily purchase stock in another member bank to facilitate an otherwise unobjectionable absorption of another state bank.

That the Board be granted authority, with certain safeguards, to permit a foreign branch of a national bank to exercise further powers that may be usual in the foreign country where the branch is located.

Comptroller's Recommendations

Pointing out that in some instances states have attempted to license and examine consumer loan departments of national banks, the Comptroller asked for specific legislation exempting national banks from having to be licensed by, or pay fees or penalties to, states.

Another proposal of the Comptroller would require the latter's approval of the payment of unearned dividends.

The Comptroller would like Congress expressly to authorize national banks to make contributions to organizations for civic improvement or betterment, educational institutions not operated for profit, and to local development corporations.

Another proposal would allow a national bank absorbing another national or state bank to operate the branches of the continuing bank legally operated before the merger.

The proposal that the statutes be modified to allow banks to choose the ordinary method of voting bank shares in the election of directors, rather than the present mandatory method of cumulative voting, was renewed among the Comptroller's recommendations.

It was suggested by the Comptroller that only the holding company affiliate directly holding member bank shares, and not parent companies as well, be required to maintain the 12% reserves called for in the holding company statutes.

Present requirements that creditors of a national bank may inspect

(CONTINUED ON PAGE 104)

HAVE YOU SEEN . . . . . .

(1) Recommendations of the Federal bank supervisory officials for changes in Federal laws relating to banking and credit institutions. If you do not already have a copy, write for one to the Senate Banking and Currency Committee, 301 Senate Office Building, Washington, D. C.

* * *

(2) A compilation of existing Federal laws relating to banking and credit institutions. It may be after the new Congress meets before the Senate Banking and Currency Committee (301 Senate Office Building, Washington, D. C.) can get a large number of copies printed for distribution. Meanwhile, leave a request with the committee for this document, entitled *Federal Statutes Governing Financial Institutions and Credit.*

* * *

(3) Transcript of the Senate Banking Committee's hearings into the "Illinois Banking Situation." Write for printed text of hearings by that title, Part 1, to the Senate Banking and Currency Committee, 301 Senate Office Building, Washington, D. C.

* * *

(4) The *Ninety-Third Annual Report of the Comptroller of the Currency*, with its usual wealth of information and statistics about banking trends. If you do not have a copy, write to the Superintendent of Documents, Government Printing Office, Washington 25, D. C., and enclose $1.75.

* * *

(5) A copy of the fiscal year 1956 operations of the management and liquidation program of the Federal National Mortgage Association. Write to the President, Federal National Mortgage Association, Washington 25, D. C., for a copy.

* * *

(6) *Questions and Answers on Release of Veterans from Liability on GI Loans*, permitted by legislation enacted in 1956. Write to the Information Service, Veterans Administration, Washington 25, D. C., for VA Fact Sheet IS-18 of September 1956.

* * *

(7) A discussion of the problems of financing air conditioning of houses. Write to the National Housing Center, 1625 L Street, N. W., Washington 6, D. C., which will send without charge a copy of its *Summary Report of the Conference on Air Conditioned Homes.*

(CONTINUED FROM PAGE 102)

lists of bank shareholders should be terminated, and the law should be changed to allow such lists to be inspected by shareholders for proper purposes not inimical to the bank, the Comptroller feels.

Other proposals of the Comptroller would liberalize national bank loans to dealers in frozen food, in instalment paper, and also to dealers in obligations secured by dairy cattle. He further proposed that national banks need not report to the Comptroller their declaration of dividends.

In the case of a defalcation or of losses in a national bank, he proposed that his office should be allowed to appoint a conservator who would take over the bank temporarily until the extent of the defalcations or losses were determined. Subsequently, there could be an assumption by another bank or a liquidation by the FDIC, if necessary.

Trust Power Supervision

It was suggested that the power to permit national banks to engage in trust activities be transferred from the Federal Reserve to the Comptroller. The Reserve Board, among its recommendations, suggested that the Board be given power, upon the recommendation of the Comptroller in any case, to revoke the trust powers of a national bank if, after a hearing, it decided the bank was using those powers unlawfully or improperly.

A proposal by the Comptroller would have the Reserve System and the FDIC each pay to the national bank supervisory agency a sum equivalent to half their fees for examinations, on the premise that national banks are unfairly charged for their expenses of supervision.

Finally, the Comptroller suggested that a national bank taking over another national bank in the same county be permitted to operate the latter as a branch, even if the state laws would not permit a branch bank in this case.

FDIC Recommendations

There should be a 5-year limit on the time banks should be required to retain the records upon which their assessment liability is determined, it was proposed in the FDIC's recommendations.

CONTINUED ON PAGE 106)

(CONTINUED FROM PAGE 104)

It was also suggested that it be provided by law that, when a deposit is transferred from a closed bank to another bank, the transferred deposit be made expressly payable on demand.

Proposals were also advanced to simplify the granting of the assessment credit under the 1950 act in cases where the amount of the assessment was in dispute, and to authorize expressly the refund of a past assessment credit to a bank in liquidation or to its nominee.

Correction Period Alternative

Under the present law a bank is allowed a 120-day "correction period" after notice from the FDIC, prior to the institution of a formal proceeding to terminate deposit insurance. This correction period in the case of a state bank may be shortened by the state banking agency. The FDIC proposed to modify this arrangement to allow it to shorten the correction period, as an alternative procedure and in its discretion, to 20 days after notice before acting to terminate deposit insurance.

Present law matures FDIC insurance liability on deposits when a bank has been closed for liquidation. FDIC proposed that, if a bank has been placed under a conservator, receiver, or other statutory authority without adequate provision being made for payment of depositors, then it may pay out on deposit insurance.

Credit Unions, HLBB

Among the recommendations of the Welfare Department were those which would broaden loan limits by Federal credit unions.

It was proposed by the Home Loan Bank Board that it be given authority to regulate members' relationships with affiliates; to strengthen the board's powers of examination of insured, state-chartered associations; and that the board be allowed to regulate all proposed conversions of savings and loan associations into nonmutual stock companies.

"It is suggested that serious consideration be given to the question whether uninsured members of the Federal Home Loan Bank System should not be subject to the same

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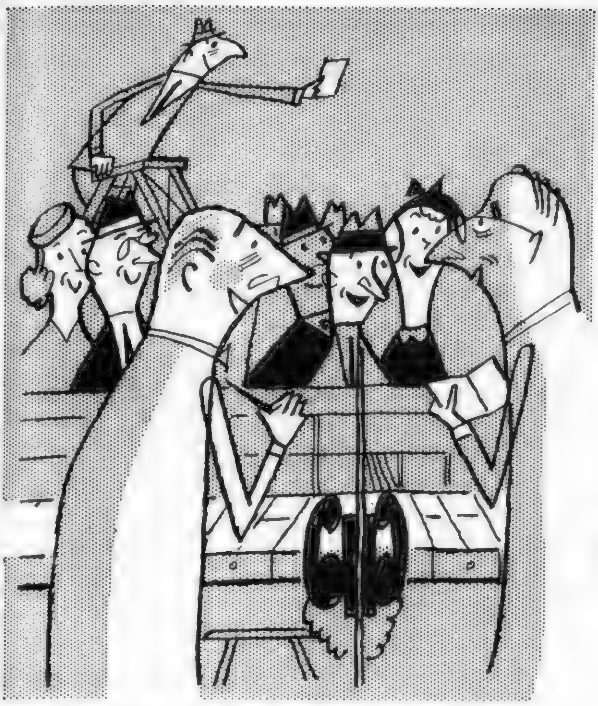

"It's always like this at the Christmas Club window."

"They say he got his start with a Christmas Club account."

"He's a Christmas Club member. He wonders if it would be all right if he started a regular account, too."

All joking aside—your Christmas Club man can show you how to attract a steady swarm of new customers for all your other services. There's no obligation, either. Just drop us a line. Today?

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A Corporation

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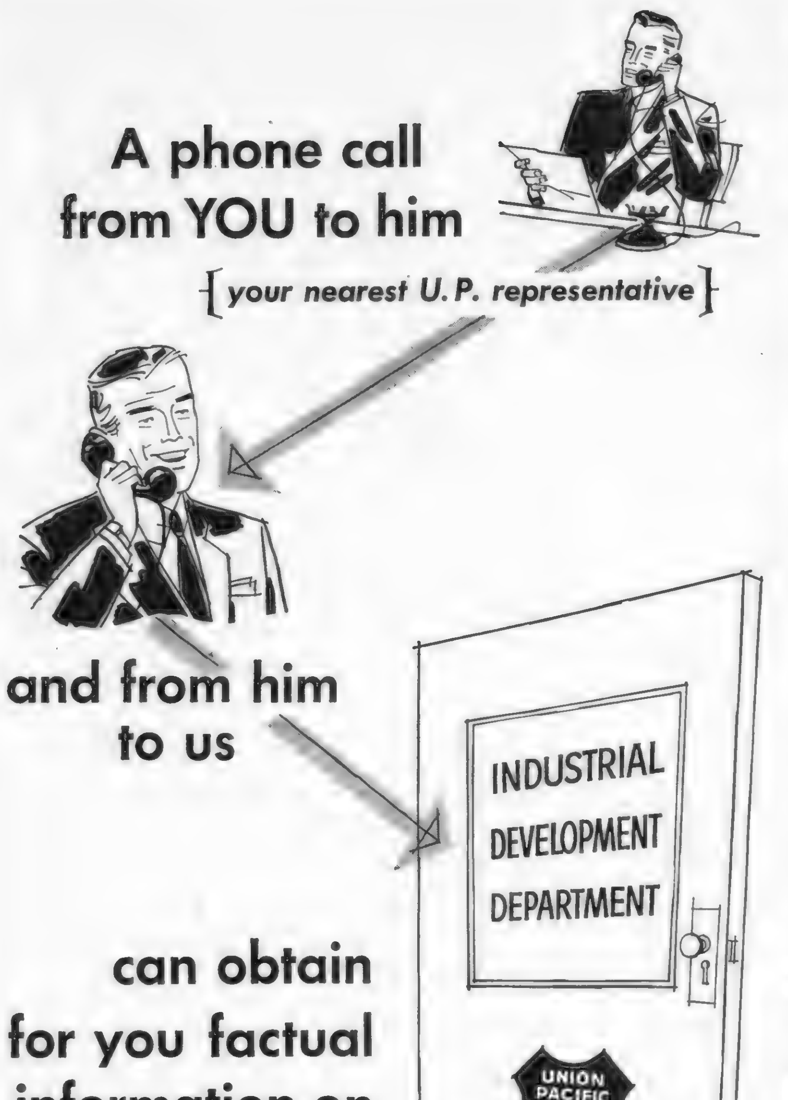
BUILDS SAVINGS • BUILDS CHARACTER • BUILDS BUSINESS FOR FINANCIAL INSTITUTIONS



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regulation as insured institutions with respect to advertising, sales plans and practices, and other operating practices," the board stated.

The board has recently issued regulations restricting gifts by insured institutions for the opening or increasing of share accounts, "a practice which has gone to extreme lengths in the case of some few institutions," the board observed. It is also limiting brokerage commissions for obtaining investments in insured savings and loans.

Discuss "Illinois Bank Situation"

Closely related to the broad project of the inquiry into the laws governing banking and credit institutions was the Senate Banking Committee's inquiry into the "Illinois bank situation."

On September 21 the Banking Committee, with Chairman J. William Fulbright (D., Ark.) presiding, held a day-long hearing into the affairs of the First State Bank of Elmwood Park, its former leading figure, Henry J. Beutel, and other banks in Chicago in which Mr. Beutel was then interested or with which he was connected at one time or another.

On September 25 Mr. Fulbright presided over another day-long inquiry into the former affairs of the Southmoor Bank of Chicago, and how these affairs related to former State Auditor (and bank supervisory official) Orville Hodge, Edward A. Hintz, and Leon Marcus of the Southmoor Bank.

Virtually all the leading officials of the FDIC were present at the hearings except Chairman H. E. Cook, who was absent because of an illness in his family. Eugene Gover, FDIC Supervising Examiner for the Chicago district, was questioned at great length.

It was the obvious conviction of Chairman Fulbright that the FDIC did not move with sufficient speed or vigor to remedy bad management situations when they had clearly come to light. He stated that the key to the whole inquiry was whether the FDIC had moved promptly and expeditiously.

On September 28 the FDIC issued a lengthy statement commenting in detail on the subject matter of the

(CONTINUED ON PAGE 111)

Designed for the Age of Automatism

. . . the HERRING • HALL • MARVIN "Five-Star" VAULT ENTRANCE with PUSH BUTTON CONTROL

We live in the age of Automatism, and its symbol is the PUSH BUTTON.

Photo above shows a 7-inch door in open position. The 5-Star line of bank vault entrances is built in all thicknesses.

No longer, when we ride in an elevator, need the operator shout, "What floor, please!" In fact, no longer an operator. We PRESS A BUTTON for the floor we want.

No longer, in a number of leading makes of automobiles, need we manually shift gears. We PRESS A BUTTON.

And no longer need the bank vault custodian manipulate a ponderous wheel and manually open or close a door that may weigh as much as 20 tons.

In the Herring•Hall•Marvin 5-Star Bank Vault Entrance, to open or close the door you simply PRESS A BUTTON!

Push Button Control is available only in bank vault entrances designed and built by us. We shall be pleased, on request, to submit a fully illustrated brochure.

H·H·M

HERRING•HALL•MARVIN SAFE COMPANY

Hamilton, Ohio • BUILDERS OF THE U. S. SILVER STORAGE VAULTS AT WEST POINT

(CONTINUED FROM PAGE 108)

hearings, and, in ending this statement, summed up its purport:

"In conclusion, may we again remind the [Senate Banking] Committee that in the affairs of the two Chicago banks which presented many unusual and unsavory developments, the Corporation has discharged its primary functions and responsibilities. No depositor has lost any of his deposits."

Possible FDIC Changes

In the course of the hearings. Senator Fulbright "threw out for consideration" a number of ideas for changes in FDIC laws or practice. He said frankly that he had not reached a firm conviction on any of these suggestions, but considered that they were worthy of careful thought. These follow:

(1) That the FDIC should be managed by a single administrator rather than by a bipartisan board. The terms of the two appointive members, Chairman Cook and Maple Harl, expire September 6, 1957.

(2) That FDIC should be given express authority if it needs it (Mr. Fulbright believes it is implicit in present law) to require that an audit be made of a problem bank.

(3) Give FDIC authority to take action intermediate between admonitions and moving formally under Sec. 8(a) to wrest a bank's deposit insurance from it.

(4) There should be a law or administrative order forbidding FDIC officials or employees from taking employment with any bank with whom they have dealt in an official capacity until two years following the termination of their FDIC employment.

(5) FDIC should act, or be given power to act if it does not now have adequate authority, to clean up a bad situation respecting a state bank, when state officials do not seem to be moving with necessary aggressiveness.

(6) Mr. Fulbright suggested that there might be a requirement that the FDIC be notified of a change in a bank's share ownership which could lead to a change in the institution's management.

(7) He further suggested that there might be a need for prohibitions or restrictions upon the holding of bank shares in the names of nominees.

(8) Without suggesting legislation, Mr. Fulbright expressed the opinion he frequently has voiced before, critical of the too frequent use, in his opinion, of the assumption procedure over the receivership procedure in dealing with problem banks. Royal Colburn, FDIC general counsel, informed the committee that the FDIC does not enter into an assumption contract unless it makes a finding that that is the cheaper way to discharge its liabilities.

Comptroller's Report

In his annual report for 1955, the Comptroller of the Currency brought out a number of salient points about the status of national banks, among them the following:

A great majority of national banks, in his opinion, are following sound policies on consumer loans.

Beginning September 1, 1955, national bank examiners were asked to make a special check of bank lending policies on automobiles. Only an insignificant proportion of the banks were found to be financing cars upon which the downpayment was as low as 20%. Only a small minority required as little as 25% down. The

greatest majority required one-third or more down.

Capital funds and reserves of national banks at the end of 1955 amounted to $1 per $5.80 of risk assets, or loans and investments minus cash, Government and Government-guaranteed securities, and Government-guaranteed loans. This is down from $1 per $5.27 of risk assets at the end of 1954, due to the increase in loans. Banks in the national system added $933,000,000 to their capital funds in the 10 years beginning with 1946.

National banks are showing a much greater interest in medium-term U. S. securities. These increased from $5,888,000,000 at the end of 1953 to $11,951,000,000 at the end of 1955. During the same period total Government securities held by national banks declined from $35,588,000,000 to $33,960,000,000, while holdings of short-terms went from $26,833,000,000 down to $18,981,000,000.

The Comptroller renewed his recommendation of a year ago for a different formula for permissive reserves for bad debts.

Bank Competition

It was pointed out by the Comptroller that the proportion of total deposits in the nation's commercial banks held by the 100 largest banks dropped from 55.3% at the end of 1941 to 46.8% at the end of 1955.

Farmers Home Business Rises

Farmers Home Administration established a new all-time high for direct and insured loans made during fiscal 1956 of $308,492,000. Farmers Home outstandings as of June 30, more than $900,000,000, were:

Type of Loan	*Amount (millions)*
Operating loans	$384
Mortgage loans	318
(Direct Treasury, $202-million)	
(Insured, $116-million)	
Emergency loans	99
Special livestock loans	27
Soil conservation and water facilities loans	41
(Direct loans, $20-million)	
(Insured, $21-million)	
Farm housing	69
All other "FHA" loans	5
Total outstandings June 30	$943

(CONTINUED ON PAGE 114)

(CONTINUED FROM PAGE 112)

Farmers Home Administration disbursement of loans or insurance of loans disbursed by others, such as banks, during fiscal 1956 were as follows, by type of loan, number of loans, and dollar amounts:

Type	*Number*	*Volume (millions)*
Farm operating	78,280	$147
Mortgage loans	5,100	59
All emergency loans	45,840	87
Soil and water conservation loans	....	12

New Lending Powers

As of the end of fiscal 1956, these statistics show that Farmers Home Administration operations had not yet begun to reflect the broadened powers, voted by Congress this year at the request of the Administration, for this agency to dispense agricultural credit.

One of these new powers is the authority to permit loans to finance the production on, or improvement of, the farms of part-time farmers. Previously Farmers Home was legally directed to aid credit needs only on "family-sized" farms. However, the agency may deal only with those already established on part-time farms. It may not lend to permit persons who want to become part-time farmers to buy farms.

In September, Farmers Home began making loans to part-time farmers.

Production Loans

In spite of having obtained authority to insure mortgage loans to the amount of $125,000,000 per year, the Farmers Home's biggest single item of business is the production loan, as the statistics indicate, being more than double in dollar amount the fiscal 1956 mortgage loans, including insured loans. However, in 1956 for the first time, Farmers Home got legislation expressly permitting the agency to lend or insure mortgage loans for refinancing debt. Hence the fiscal 1956 figures do not yet reflect such loans, which are now being closed.

Farmers Home began in September to use its new authority to refinance farm debt through the insured mortgage loan.

On the other hand, the figures do disclose that the insured "water facility" loan is taking hold. Congress a couple of years ago, at the request of the Administration, took an old act of the mid-1930s, permitting direct Government loans for water facilities in several western states, and broadly amended it, providing not only for direct loans on water facilities in all states but also adding another loan insurance scheme, with 20-year insured loans to establish conservation on the farm, to build permanent pasture, or to plant trees. Of the "water facilities" loans in fiscal 1956, something over 90% were insured and only about 10% were direct Treasury funds.

President Favors Farm Program

Certain Administration circles in Washington have been intimating that the President was not enthusiastic about the new Federal undertaking to provide Government loans to part-time farmers. It has been hinted that the President reluctantly approved this provision.

Loans to part-time farmers represents the most concrete, definite Federal undertaking in the President's rural redevelopment program. The President himself does not underrate the significance of this program. He said in his Peoria, Ill., campaign speech last September 26 that "now opening up for farm people are brighter peacetime prospects than they have had for years.

"First is our new rural redevelopment program to help the lowest income families in farming. This is the first widely coordinated massive Federal - state - local effort ever directed toward the lowest income people in farming," the President said.

It was the Eisenhower Administration which requested, at the opening of the 84th Congress, the power to make Federal loans to part-time farmers. Congress did not approve this program in 1955, but did in the 1956 session.

"Next we have expanded farm credit—another reason for new confidence . . . Today the farm credit program is the best in history." Hence it does not appear that the President of the United States depreciates or "plays down" the expanding Government intervention into the agricultural credit field.

FHA-VA Loan Future

There is considerable interest in

(CONTINUED ON PAGE 117)

(CONTINUED FROM PAGE 114)

the future of the Government-sponsored mortgage loan in view of the emerging higher pattern of yields on the choicest of new institutional investments. This pattern makes the VA and the FHA loans less attractive with their present "coupon" rate fixed at 4½%. Indications are that the lending volume under conventional mortgages is holding up better than Government sponsored liens.

It will be natural, of course, if this subject is not discussed fully in public until after the election is out of the way, for it is an embarrassing one. Government has an obvious vested interest in the provision of the largest amount of housing mortgage credit for the longest achievable terms at the lowest possible interest rates. The annual succession of housing acts, each providing terms more liberal than its predecessor, attests to the importance which officialdom attaches to easy housing mortgage money.

FHA has statutory authority to raise the interest rate to 5%. However, in both Congress and any Administration there is a shyness about giving the FHA lien a more attractive yield than the VA rate. This has been the case in past Administrations and is so in the present. For instance, it was reported but not confirmed that only a few weeks ago there was drawn up an order, permissible under FHA law, allowing banks or other lenders in effect to add a service charge of ½ of 1% to new FHAs, thereby obtaining a de facto lender return of 5%. This was killed on higher orders on the grounds it would react to the disadvantage of the VA loan, it was further reported.

Would Require Legislation

Hence, it is taken for granted as a political "fact of life" that if FHAs are to pay a greater interest, VAs probably must also; or, in reverse, FHA cannot boost its "coupon" without VA doing likewise. The VA does not have statutory discretion to boost beyond the 4½% rate, fixed by law. It would take an act of Congress to go higher.

Recalling the dislike, several years ago, of letting the VA rate go above 4%, it is believed that Congress would not cheerfully embrace a rate of 5% for VAs. The more natural

inclination would be to provide for substantial purchases at the lower yield by the Federal National Mortgage Association.

If Congress could be guaranteed that a 5% rate might result in the return of the large flow of money so as to guarantee housing starts of 1,300,000 or more units instead of the now tentative 1,100,000 units officially expected this calendar year, some of its objection to the higher rate might be diminished. That such a prospect could be "guaranteed" with any certainty is not clear at this point.

Government-Sponsored Business Is Down

Mortgage lending under the Government-sponsored lien is showing a definite decline. In 1950 and again in 1955, VA and FHA loans combined accounted for about 50% of the "privately financed" starts of new housing and, in particular months, have on at least two occasions risen to as high as 60% of the financing of all new housing starts. Last August the proportion was down to 43% and was reported to be declining. In August 1955 the proportion was 55%.

Mortgage "Easing"

This prospect — money remaining scarce and interest rates high—may overshadow in significance the election-eve action of "easing" Government sponsored mortgage credit in certain aspects.

It was ordered that, on FHA housing appraised for $9,000 or less the minimum downpayments be dropped from 7% to 5%. While FHA asserts that, in calendar 1955, 23.5% of its business was done in that bracket, there is no assurance that this move, while it might induce prospective borrowers to apply for FHA loans, will necessarily induce lenders to grant them. The proportion of housing costing $9,000 or less per unit is believed on the decline this year.

Reportedly at the instance of the Administration, the Home Loan Bank Board increased from 10% to 12.5% of the share accounts of Home Loan Bank System members the maximum of advances which those members could obtain from Home Loan banks. However, under the 10% rule, advances outstanding before the new order aggregated only $1.2-billion against $3.5-billion permissible under the smaller limitation on advances. Theoretically, a maximum of $875,000,000 additional could be borrowed under the higher limit. However, Home Loan banks must borrow the money to make the advances, and their borrowing costs are reflected back to the associations. The September 15 HLB debentures paid 3.8% on a 6-month maturity.

In one of its vestigial drives "to lessen the dependence of the housing industry on Government," the Eisenhower Administration proposed and Congress enacted, in 1954, a new provision relating to FNMA. This required a lending institution to purchase in FNMA stock a sum equal to 3% of the principal of mortgages sold to this Government agency. Another provision sought to require, but with exceptions, that the FNMA secondary market should be financed through the sale of its own debentures, rather than directly through the Treasury.

At the instance of the Administration, Congress permitted this purchase to go down to 1%, but the Administration told Congress it would set this at 2%, which it did August 9. However, in late September FNMA was ordered to require only a 1% FNMA stock purchase as a condition to buying a mortgage. The latter was part of the "easing" program.

Finally, FNMA announced under the Housing Act of 1956 that it would offer standby commitments at a price of 92. A further easing action was to raise this price to 94. This, officials thought, would make it less expensive for a builder to use construction money under a standby commitment in case he could not obtain permanent financing at a higher price and had to use the standby.

Further discussions between officials and builders about the mortgage money supply gave rise to the possibility still further easing might be attempted.

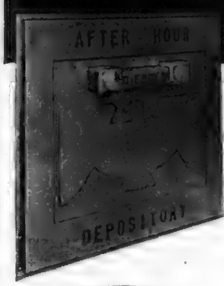
Comptroller Eases

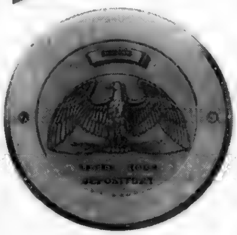
In a separate action the Comptroller's office has advised examiners that it is not discouraging national banks from lending to bona fide mortgage companies with real worth behind their borrowings, in order to provide construction loan money.

Last July in a letter to national bank examiners, the Comptroller advised that loans by national banks to individuals or mortgage companies secured by the mortgages of other home owners or builders should be construed as construction loans, subject to the limitations thereon. National banks may use only 50% of their capital funds for such loans and they may be made on only residential and farm houses to two-thirds of value.

The July letter was designed to discourage the use of "finders" to provide construction money on terms more liberal than banks themselves were allowed to use. However, in late September the Comptroller made it clear to examiners this did not apply to borrowings by bona fide mortgage companies with worth behind their borrowings.

"What do you mean 'no discount'? The guy that used to own this place gave discounts right up to the day he went broke!"





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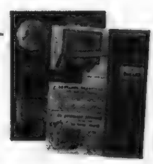

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Consumer Credit Controls

(CONTINUED FROM PAGE 36)

terms by too enthusiastic lenders, who will then be fearful of inviting imposition of controls.

* * *

Against: Government control has often proved to be a high price for an industry to pay for protection from keen competition. Once the principle of direct regulation has been accepted, it can lead to much more and detailed control than the industry bargained for.

Where an industry can escape the ill effects of cutthroat competition through self-policing, this is far preferable. In addition, destructive competitive practices in consumer lending terms can be discouraged by moral suasion and pressure from supervisory agencies, as the 1955 experience showed. Availability of these alternatives makes direct control so much less necessary.

Argument 7: Consumer Credit Was Successfully Controlled During the War

For: Under Executive Order of the President, Regulation W set minimum downpayment and maximum maturity terms for consumer credit during World War II. The volume of consumer credit outstanding was shrunk over 40% from the Pearl Harbor level during the war years, showing that direct control can be quite effective despite the high rates of interest realized on consumer lending.

* * *

Against: The wartime experience is completely irrelevant, since consumer durable goods were generally not available during wartime, so that consumers could not have borrowed to buy them in any event. Lack of availability of goods caused consumers to pile up liquid savings at an unprecedented rate during the war years and the reconversion period that followed, so that it is surprising that consumer debt did not decline even more.

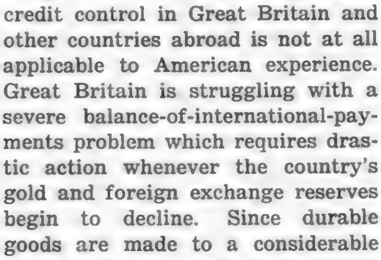
The very fact that Regulation W was imposed at a time when lack of availability of durable goods made direct control quite unnecessary reflects the bias against this type of credit existing in Government circles at the time, and shows why stand-by controls are likely to be invoked prematurely, once Congress authorizes them.

Argument 8: Consumer Credit Is Controlled Abroad

For: Strict control over consumer credit has been applied in Great Britain and other countries abroad. The tightening and relaxation of minimum downpayment and maximum maturity terms have become an accepted feature of over-all credit control and economic management, justified by experience.

* * *

Against: The need for consumer credit control in Great Britain and other countries abroad is not at all applicable to American experience. Great Britain is struggling with a severe balance-of-international-payments problem which requires drastic action whenever the country's gold and foreign exchange reserves begin to decline. Since durable goods are made to a considerable extent with imported raw materials and divert labor and materials from export production, control over consumer credit terms is an effective way to limit imports for consumption and to encourage exports. Control over consumer credit is one more way to enforce the austerity principle expressed by the motto, "Britain can make it, but can't have it."



"Just look at the progress I've made! Last month the bank turned me down for a loan of $1,000 . . . today they turned me down for $2,000!"

In other countries of Western Europe, there is often an even more direct connection between increased consumption financed by consumer credit and an adverse balance of payments or internal inflationary pressures.

The United States, by contrast, has a favorable balance-of-payments position which is neutralized only by foreign aid and other "unilateral transfers." Increased consumption of durable goods does not increase imports materially, and if it did it would contribute to equilibrium in our balance of payments.

The reasons for continued direct control over consumer credit abroad thus do not apply to the United States.

Argument 9: Availability of Statistics to Guide Regulation

For: Detailed statistics are now available on consumer credit outstanding, disposable personal income, and other factors that would enter into intelligent regulation of consumer credit terms. Hence, the case for direct control is a good deal stronger now than when insufficient data to guide action were available.

* * *

Against: Quantitative statistics alone are not enough to assure intelligent regulation of any segment of the economy. It is also necessary to reach correct judgments in interpreting the statistics, and there are no reliable yardsticks for judging when consumer credit is excessive from the viewpoint of the public interest, what terms are too liberal, and the like. Changing economic conditions and changing patterns of consumer behavior are always modifying the answers to these questions.

The dangers of applying direct controls to such relatively newer developments as consumer credit, where past experience is a very inadequate yardstick, make it desirable to avoid such controls in the absence of a clear showing of public interest.

In any event, the mere availability of statistics in this or any other field obviously is not a good reason for imposing direct controls, so as to substitute bureaucratic judgments for the free play of the forces of the market place.

Main Street

(CONTINUED FROM PAGE 30)

CARL K. WITHERS, vice-president of National State Bank in Newark, has been elected president of Blue Cross Hospital Service Plan of New Jersey. He's resigning from the bank to devote full time to the new position. When MR. WITHERS became State Commissioner of Banking of New Jersey in 1935, he was the youngest man ever to reach that position. He has been active in the New Jersey State Bankers Association and in the American Bankers Association.

PETER W. HERZOG, SR., has been elected president of the Waynesville (Mo.) Security Bank. He's also chairman of the board of the Jefferson Bank and Trust Company, St. Louis.

BOWERY SAVINGS BANK, New York, has opened an off-the-street sidewalk savings facility at its 42nd Street office opposite Grand Central Terminal. The unit has five teller stations, ample lobby space, and is open every banking day from 8 A.M. to 6:30 P.M.

NABAC Board Elections

THE National Association of Bank Auditors and Comptrollers at its 1956 Washington convention elected the new board of directors that replaces the former executive board. Chosen were:

Two immediate past presidents, ROBERT H. SHEPLER, vice-president and cashier, Denver National Bank, and ROBERT F. GOODWIN, comptroller, Wachovia Bank and Trust Company, Winston-Salem, N. C.; also, RICHARD L. BROWER, assistant vice-president, Bowery Savings Bank, New York City; ERNEST W. LAY, vice-president, Second Bank - State Street Trust Company, Boston; O. F. KUNY, vice-president and cashier, The Millikin National Bank of Decatur, Ill.; EARL K. SIMPSON, auditor, California Bank, Los Angeles.

Likewise serving on the board, in addition to the national officers and committee chairmen, are these new district directors:

District 1, ALFRED P. ALLEN, comptroller, Western Savings Bank of Buffalo, N. Y.; District 2, ERNEST LIGHTBOWN, auditor, Mellon National Bank, Pittsburgh; District 3, ROWLAND A. RADFORD, vice-president and cashier, The Bank of Virginia, Richmond; District 4, S. MARLIN FISKE, vice-president and cashier, The First National Bank at Orlando, Fla.; District 5, WALTER C. MERCER, assistant vice-president, The Ohio National Bank of Columbus; District 6, MERLE V. STONE, comptroller, American National Bank, St. Paul, Minn.; District 7. JOHN LICHTENWALLNER, auditor, The Omaha National Bank; District 8, JOSEPH E. OAKES, cashier, First National Bank, Shreveport, La.; District 9, M. BRAD LAKE, vice-president and comptroller, Seattle-First National Bank; District 10, GEORGE W. MEYER, assistant vice-president, The American Trust Company, San Francisco.

M. LESTER MENDELL, vice-president in charge of Queens branches of Bankers Trust Company, New York, has been appointed chairman of the New York City Council of the National Jewish Welfare Board.

J. J. O'CONNELL, vice-president of First National Bank in Dallas, was one of several Texans recently made a Knight of the Equestrian Order of the Holy Sepulchre of Jerusalem, one of the highest honors conferred upon laymen by the Catholic Church. MR. O'CONNELL, who recently celebrated his 50th year with the bank, has been active and prominent in lay activities of the church all his adult life.

Harry Krauspe, left, president of Belmont National Bank, Chicago, receives 50-year pin of the Illinois Bankers Association from Louis H. Hammerstrom, vice-president, Continental Illinois National Bank and Trust Co., Chicago, on the occasion of his 50th year in banking. He started as a messenger boy at Continental National Bank

The 1,100 guests at the open house celebrating completion of the remodeling program at THE SUSSEX TRUST COMPANY, Laurel, Del., were asked to guess the number of cubic feet in the building. The first-prize winner guessed 63,124 feet; correct answer, 63,178.

FRED A. STOEKLE, executive assistant at The Manhattan Savings Bank, New York, on completion of 50 years with the bank received a handsome perpetual-motion clock—plus a handsome check.

J. STUART MINCK has joined the field staff of SCHOOL THRIFT, Incorporated, Yonkers, N. Y.

J. D. PORTER, assistant cashier of the First National Bank and Trust Co., Tulsa, has received a special plaque for becoming the first employee to donate two gallons of blood to the Red Cross Blood Center.

A marketing division has been created by the CITIZENS & SOUTHERN BANKS in Georgia. It is headed by HOWARD S. STARKS, vice-president (marketing), who will continue to head the sales department. The new division will seek additional ways in which existing services can be used, develop new bank services, and present these services to the public.

The PHILADELPHIA NATIONAL BANK has opened its second office in Chester, Pa. Visitors were invited to guess how long a candle would burn. The prize: a $100 savings certificate and a year's free rental of a safe deposit box.

DAVID HAVILAND was elected a vice-president at Chemical Corn Exchange Bank, New York.

The newly organized MARIETTA COMMERCIAL BANK, Marietta, Ga., held formal opening ceremonies on October 10. Its officers: SIMS GARRETT, JR., chairman; CHELCIE G. ARANT, president; JAMES E. BERRY, vice - president; FRED HUTCHINS, cashier. The new president, MR. ARANT, was formerly with Trust Company of Georgia, Atlanta.

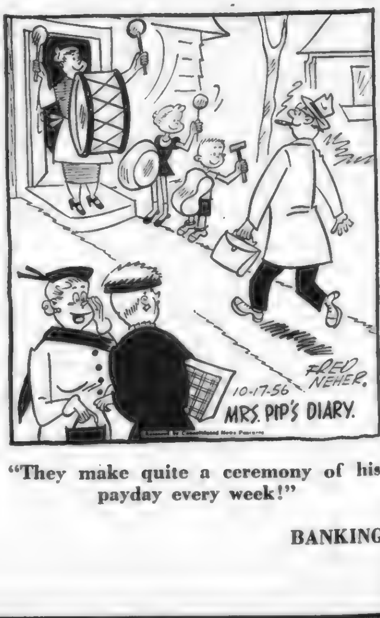
Small Business Loans

(CONTINUED FROM PAGE 37)

ity, the demands for credit are very great. The Federal Reserve policy seeks to restrain inflationary forces which are reasserting themselves at this time. While it is to be expected that there are some loan demands which are not being met, the plain fact is that banks are lending more money today in every category than in history and that bank loan totals are reaching new high levels every day.

"This survey, which was confined to the largest banks which had comparative data available, shows that small business and individuals are participating in these loan increases. Banks responding to the questionnaire were asked to give the reasons for turn-downs of loan applications for small business. Of the 78 banks responding, 77 gave the noncredit-worthiness of the application as the principal reason. Only one bank mentioned its tight money position, and none mentioned interest rates as being a factor.

"For the most part, banks are themselves small business. More than 11,500 of them are medium-sized and smaller institutions with deposits less than $10,000,000 and legal lending limits usually less than $100,000. It should be borne in mind that all of their loans, which are also increasing, are in the small business classification. Data for these banks are compiled only annually. At December 31, 1955, their loan outstandings were about $1,200,000,000."



"They make quite a ceremony of his payday every week!"

Operating Aids for the Small Bank

(CONTINUED FROM PAGE 51)

ordinated accounting system that is properly and consistently maintained under a rigid set of procedural rules effective throughout the bank, said Theodore M. Kuipers, assistant cashier, The Lafayette (Ind.) National Bank.

Speaking at the convention's "Do-It-Yourself" panel for small banks, he explained that continuous control must be centered around rotation of duties, segregation of duties, full and uninterrupted vacations, outside activities of employees, adequate salaries, and a liberal employee loan policy.

Rotation of Duties. It should be at unannounced intervals, and for periods sufficient to disclose any irregularities: say, two weeks for tellers, two to three months for bookkeepers, depending on statements schedule.

Rotation is valuable in training employees. It develops substitutes' skills.

Segregation of Duties. Each staffer's job should be clearly outlined, with accounting and operations separated as much as possible. Most important is that no employee should be permitted to originate and complete a transaction, and that none handling cash should be permitted to post to the ledger records. In the small bank, verification of work by another employee should be emphasized. Also remember that the more people handling a transaction, the more assurance there is of detecting fraud and decreasing temptation.

Vacations. An uninterrupted vacation of at least two weeks for every employee is a must for good control. This permits transactions under control of one individual to clear properly during his absence. It also enables the bank to train other personnel for various jobs.

Outside Activities. Watch for: spending and living above income; any sudden change in appearance and habits of employees. Don't permit overdrafts of employee accounts. Check unusual activity in checking accounts and transfers to or from savings accounts. A good policy is for a bank to *obtain credit reports and financial statements from all employees at least annually.*

Salaries. Adequate salaries attract more competent personnel, applicants can be screened more carefully. Discourage outside jobs. If an employee must hold down two jobs it means either that he's living beyond his means or his bank salary is inadequate. If an ambitious employee wants an extra position, maybe he can be given a more responsible spot in the bank, at a higher salary.

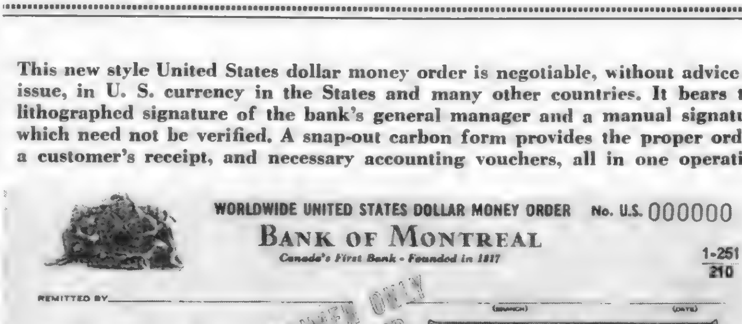
Liberal Loan Policy. Employees should know that the department head or some officer will gladly discuss any financial problem. The officer can suggest a loan to cover debts. If the bank doesn't lend to staffers, refer him to another bank.

Safe Deposit

"THE sword that hangs over the head of safe deposit is negli-

(CONTINUED ON PAGE 128)

This new style United States dollar money order is negotiable, without advice of issue, in U. S. currency in the States and many other countries. It bears the lithographed signature of the bank's general manager and a manual signature which need not be verified. A snap-out carbon form provides the proper order, a customer's receipt, and necessary accounting vouchers, all in one operation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THE SUM OF DOLLARS
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NEW YORK U.S.A.
COUNTERSIGNED


all in one!
Ledger Cards
Signature Cards
Fire Protection
At Point-of-Use!

(CONTINUED FROM PAGE 126)
gence," said Charles C. Bridgers, vice-president and cashier, The Bank of Asheville, Asheville, N. C. He urged that fundamental principles of sound operation be carefully observed, and that each bank set up definite procedures which can be written in manual form.

"These procedures should be practicable," said Mr. Bridgers, "and at the same time offer adequate protection. It is highly important that they be consistently adhered to without deviation or exception. This also applies to the problem of an unauthorized access. Circumstances may indicate that an unauthorized access is imperative and that because of the integrity of the witnesses and the nature of the property to be removed, the risk is small. Nevertheless, the only rule to apply is that of *never allowing anything but a properly authorized access.*"

At the NABAC Convention

Guests

RAY M. GIDNEY, Comptroller of the Currency, Governor James L. Robertson of the Federal Reserve Board, and Courtney Evans, chief of the FBI accounting and fraud division, were convention guests. Mr. Gidney said "we must put forth our best efforts to ward off some of the unhappy things that happen in the banking business." Governor Robertson observed that detection of fraud was not the chief function of the bank examiner and stressed the importance of audit programs based on the NABAC slogan, "The better the audit and control, the safer the bank." Mr. Evans said that although the decade-long rise in bank robberies had been reversed, the embezzlement trend continued upward.

Delegates Meet Dr. Miller

NABAC's new executive director, Dr. F. Byers Miller, former dean of the School of Commerce, University of Richmond, addressed the convention on "A Look at Management Development." He discussed methods of instruction available for in-company and out-of-company programs.

NABAC School

CLARENCE H. LICHTFELD, vice-president and comptroller of the First Wisconsin National Bank, Milwaukee, described the aims and work of the NABAC School for Bank Auditors and Comptrollers of which he is director. He said the present plan was to "improve the quality of the school rather than to expand it further."

Welcome and Thank You!

THE delegates were welcomed to Washington by Hulbert T. Bisselle, president of The Riggs National Bank. John F. Watlington, Jr., president of the Wachovia Bank and Trust Company, Winston-Salem, N. C., made the response. Mr. Bisselle noted that the general chairman of the convention committees was Franklin A. Gibbons, Jr., Riggs vice-president and comptroller. Mr. Watlington's bank had a close tie with the convention too: its comptroller is Robert F. Goodwin, NABAC president for 1955-56.

Ed James

TRIBUTE to the late Edward F. James, first vice-president of the association and treasurer of Fidelity-Philadelphia Trust Company, was paid by President Goodwin in his report and by the convention in a resolution.

FBI Trip

MANY delegates took advantage of a free morning to tour the FBI offices in Washington. They were special guests of the Bureau.

J. L. C.

How to Sell Your Bank

(CONTINUED FROM PAGE 48)

Opportunity. The time to go after savings deposits is *now,* asserted Frank R. Swan, vice-president, City National Bank and Trust Company, Oklahoma City. With money tight, banks are looking for lendable funds. But they must actively go after the deposits.

Other Business Builders

Giveaways. Reporting on their value as savings promotions, Benjamin F. Louis, treasurer of the Newton (Mass.) Savings Bank, said the result of some campaigns disproved the contention that accounts thus obtained cost too much, were too small, too short-lived. One bank brought in 17,664 totaling over $3,000,000 in one month at a cost of $4.69 each. Average initial balance of $181 grew to $462 after a year, with normal mortality rate of 24%. Other banks have had similar success, said Mr. Louis.

Three Pools. George V. Christie, vice-president, First National Bank of Arizona, Phoenix, listed three "pools to fish in": present customers, stockholders, directors. Few bank customers use more than a handful of services. Staffers and shareholders can probably use more, too. And directors are potentially the principal customers if they know what the bank has to offer.

"Sell," Don't "Invite." "If you're just 'offering' your services, you've taken a back seat to banks that are selling," said Gould R. Kardashian, assistant vice-president, The Chase Manhattan Bank, New York. The banker can't sit in his office and wait for business. Better incentives for staff salesmen will bring results.

Advertising Sells. G. Edwin Heming, manager of the Advertising Department of the American Bankers Association, pointed out that it takes advertising to sell bank services. "More and more banks are discovering that if they step up their promotional activities and advertise aggressively for deposits, they can get excellent results in the face of increasing competition. It isn't enough to sell people on the *idea* of saving; they must be sold on saving at *your bank.*

Markets. "Know your market," counseled Eldon F. Lundquist, assistant vice-president, St. Joseph Valley National Bank, Elkhart, Ind. "Banks that best serve the credit and financial needs of the public will grow and prosper."

Staff Selling

Training. It's no longer a case of "too many chiefs and not enough Indians" — everybody on the staff must be trained to provide the kind of service that will attract more business, said N. Hall Layman, vice-president, Northern Trust Company, Chicago. Today the spotlight is on better sales training.

Employee Campaigns. Incentive programs offering rewards for extra sales efforts can be successful if properly conducted, in the view of Harold V. Gleason, vice-president, Franklin National Bank, Franklin Square, N. Y.

Newspaper Advertising. The daily press is still the leading bank medium, said William N. Flory, manager of the business development department at Harris Trust and Savings Bank, Chicago. One of banks' chief challenges is to meet

Three presidents: FPRA's Delamater, A.B.A.'s Florence, Texas BA's Clark. Mr. Florence said banks were indebted to FPRA "for its many fine contributions"

all comers in the market place of the newspaper.

Keeping Up to Date. Banks that make home modernization loans should learn something about the building business, suggested Ralph L. Watters, advertising manager, Lincoln Bank and Trust Company, Louisville, Ky.

Folding Money. "Bankers are finding that prestige is no substitute for the folding money in today's pay envelope," commented William A. Lank, president, First National Bank, Bloomsburg, Pa.

Window Displays. They're "bonus salesmen," observed Charles W. Pine, Valley National Bank, Phoenix, Ariz. Use your windows to tell a service story.

Publicity. Know your local newspaper men, counseled Clinton Axford, editor of the *American Banker*. They'll tell you all you need to know about how to put out and get publicity.

Dallas Doings

Big!

PRESIDENT DELAMATER reported that FPRA's membership now exceeds 2,000.

Texas Tone

THE TEXAS TONE was set by General Co-chairmen Clifton Blackmon and George J. Watts, vice-presidents, respectively, of the First National and Republic National. Welcoming the convention to Big D, they said: "You'll find that Texans—in Dallas and Fort Worth, and everywhere else—are just about as friendly as Texas Brags make them out to be."

Extracurricular

IN ADDITION to the Fort Worth outing, the convention had FPRA Night at the State Fair of Texas, largest (of course) in the country, and a Fiesta Mexicana at Riverlake Country Club.

Madam Treasurer

MRS. IVY BAKER PRIEST, Treasurer of the United States, participated in a panel on "The Importance of Women." She suggested more time be given to questions at finance forums. Others on the panel included Mrs. W. W. Delamater and Mrs. Daniel W. Hogan, Jr., of Oklahoma City. Mrs. Hogan's husband, president of City National Bank & Trust Company, was general program chairman. He now heads the A.B.A. Savings and Mortgage Division.

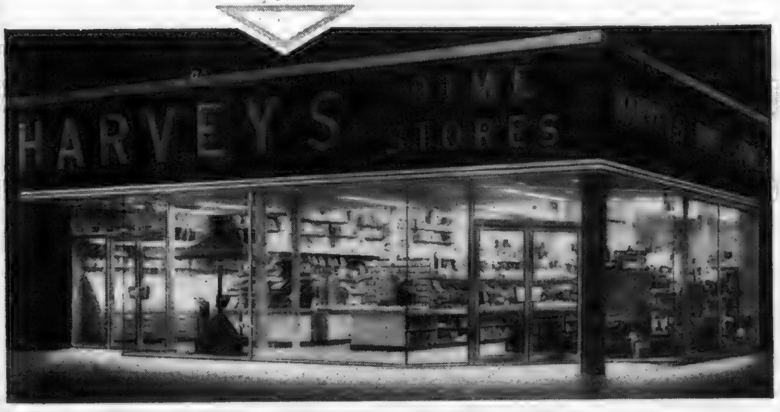
Keep in step with the times . . .

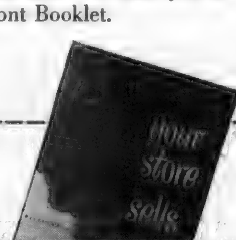
with modern Pittsburgh *Open-Vision* Store Fronts!

American people are very up-to-date in the way they live. They like modern homes, modern dress and modern cars. And they are attracted by stores and other places of business which have a modern atmosphere. Take this lumber and building supply dealer, The Jenkins-Essex Company, Inc., Elizabethtown, Kentucky. Its modern, open-vision Pittsburgh Store Front is a real asset and attention-getter. Good display is given to all the merchandise with the big Pittsburgh Polished Plate Glass Windows. Other Pittsburgh Products, including Carrara® Structural Glass, Pittco® Store Front Metal and Herculite® Plate Glass Doors, complete this attractive and customer-appealing installation. Architect: Thomas J. Nolan & Sons, Louisville, Kentucky.

Much of the business done in the average 5 and 10 cent store is impulse-selling. People are attracted by some merchandise displayed in a window and are drawn right inside. For this reason, an attractive, up-to-date front is especially important. Harvey's Dime Stores, La Porte, Indiana, have plenty of room to display a variety of merchandise in their big show windows—glazed with Pittsburgh Polished Plate Glass set in Pittco Store Front Metal. Carrara Structural Glass and Tubelite® Doorways are used to complete this eye-appealing open-vision store. Architect: Ken Fryar, Michigan City, Indiana.

For more information on Pittsburgh Store Fronts, just mail the coupon and we'll send you a free copy of our Store Front Booklet.





Pittsburgh Plate Glass Company
Room 6367, 632 Fort Duquesne Blvd.
Pittsburgh 22, Pa.

Without obligation on my part, please send me a FREE copy of your modernization booklet, "How To Give Your Store The Look That Sells."

Name........................

Address......................

City............... State.......

PAINTS • GLASS • CHEMICALS • BRUSHES • PLASTICS • FIBER GLASS

PITTSBURGH PLATE GLASS COMPANY

IN CANADA: CANADIAN PITTSBURGH INDUSTRIES LIMITED

Homeowners' Policy

(CONTINUED FROM PAGE 38)

also that no part of the premium for additional coverages not required by the mortgage or deed of trust is included in the loan either initially or periodically.

It follows that a late charge cannot be levied on that portion of a delinquent monthly payment which includes accrual for such additional coverages, and that advances for such coverages by the mortgagee are not reclaimable. On volume scale, special computation of late charges implied in this stipulation would involve the mortgagee or servicing agent in a complicated and laborious deviation from the norm.

Inclusion in the monthly payment of reserves for the nonessential additional coverages provided in the homeowners' policy might also have a disastrous effect on the mortgagor's repayment ability. While it is true that this package-type policy effects an over-all economy, it tends to increase the total premium on any given mortgage since the average mortgagor did not previously maintain the diversified coverages it contains. Many mortgages have been made in the past few years with maximum allowable maturities and minimum downpayments. The considerably higher premium ($5-$6 monthly) that is involved in the average homeowners' policy might easily make such a difference in the total monthly payment that many mortgagors would be unable to maintain their accounts on a current-payment basis. Under the generally accepted method of credit rating followed by the FHA, VA, banks, and insurance companies, whereby the monthly mortgage payment is related to income and other obligations, many potential mortgagors would be disqualified.

To summarize: the mortgagee's position — if it accepts the homeowners' policy and accrues for the whole premium — is that, in return for nonessential insurance coverage, it is forced to assume a gratuitous responsibility which might readily jeopardize the status of its FHA insurance or VA guarantee; make itself vulnerable by failure to place coverage that is irrelevant to its position as a mortgagee; increase its delinquency ratio; and cut itself off from potential originations and resales.

The solution points to the divorcement of the homeowners' policy from the monthly mortgage payment. This can be accomplished in several different ways, all of which involve disruption of established procedures as well as additional cost to the mortgagee.

A Simple and Practical Plan

To eliminate the many problems and yet to permit borrowers to have the benefits of homeowners' policies if they desire, The County Trust Company, after extensive study, has adopted the following simple, practical plan:

(1) Accept a homeowners' policy when presented either as replacement or renewal of existing coverage.

(2) Require a receipt for the total premium or, in the case of an instalment policy, for the first annual instalment.

(3) Mortgagor must sign agreement form.

(4) Monthly reserve for insurance will be discontinued at the next annual analysis date, which is the normal time for issuance of new coupon book. The necessity for altering the monthly payment and issuing a new book at other than the scheduled time is obviated by retaining in the account a sufficient sum which, when augmented by the insurance reserves that will accrue from the present monthly payments by the next analysis date, will equal one year's fire and extended coverage premium. The balance of the reserve account will be refunded immediately to the mortgagor. In setting up a new account, the monthly payment will include 1/12 of one year's fire and extended coverage premium. At the close of the first year of payments, the insurance reserve will be dropped from the total monthly payment. The reserve for the 1-year fire and extended coverage premium will be retained in the account for the life of the mortgage.

(5) Legal opinion supports the assumption on which this plan is predicated; namely, that the method of accrual and retention of one year's fire and extended coverage satisfies the mortgagee's responsibility under the mortgage agreement and that it in no way conflicts with the requirements, either expressed or implied, of the FHA or VA.

Chicago Bank Furthers Graduate Student Training

IN order to help future business and financial executives gain a better understanding of the basic principles of commercial banking, and to remove some of the mystery surrounding the practical operations of a large bank, The First National Bank of Chicago and Northwestern University have developed a unique educational program for graduate business school students.

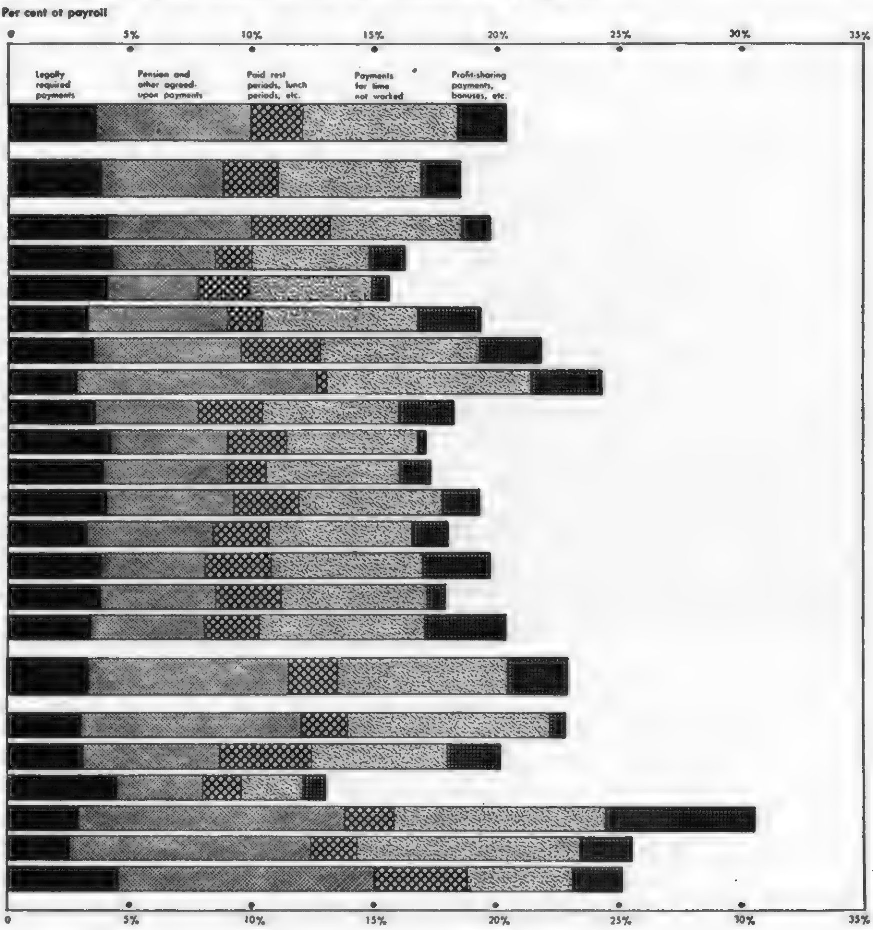
Last spring The First National invited members of Northwestern University's Student Finance Club to spend a day in the bank. As a result of their 1-day visit, the students — all candidates for the master's degree in banking and finance—expressed an interest in spending an entire week in the bank.

(CONTINUED ON PAGE 134)

The First National trust department's famous Whitehall Room becomes a classroom with Joseph Keckeisen and Coll Gillies explaining trust operations

"FRINGE BENEFITS—1955" was the subject of a recent study published by the Chamber of Commerce of the United States. *Below*, "Fringe Payments as Percent of Payroll, by Industry Groups, 1,000 Companies, 1955," a chart appearing in the full study, which can be obtained from the Chamber for $1 per copy

Industry Group	Per cent of payroll
Total, all industries	20.3%
Total, all manufacturing	18.5
Manufacture of:	
Food, beverages & tobacco	19.7
Textile products & apparel	16.2
Pulp, paper, lumber & furniture	15.6
Printing & publishing	19.3
Chemicals & allied products	21.8
Petroleum industry	24.3
Rubber & leather products	18.2
Stone, clay & glass products	17.1
Primary metal industries	17.3
Fabricated metal products	19.3
Machinery (excluding electrical)	18.0
Electrical machinery, equipment & supplies	19.7
Transportation equipment	17.9
Instruments & miscellaneous manufacturing industries	20.4
Total, all nonmanufacturing	22.9
Public utilities (electric, gas, water, telephone, etc.)	22.8
Trade (wholesale & retail)	20.1
Hotels	13.0
Banks, finance & trust companies	30.5
Insurance companies	25.5
Miscellaneous industries (coal mining, warehousing & laundries)	25.1



The proposal was discussed with Dr. Leon A. Bosch, associate dean and director of the Graduate Division of Northwestern's School of Commerce. Dean Bosch accepted the suggestion and assigned the responsibility for the project to the president of the Finance Club.

Program Fits Students

A program was designed according to the specific interests of the students. They were asked what phases of banking interested them most. As a consequence, each term a different group of students spend five full days as guests of the First National. Participation is voluntary and the students receive no pay. It is interesting to note that a group of 14 students who completed the program during the latter part of September arranged among themselves to be in Chicago at their own expense a week before school began in order to take advantage of the opportunity to broaden their financial education.

The students visit various departments of the bank, observing procedures and participating in informal discussions led by senior officers of the departments concerned. The major departments included are the bond, foreign, credit, securities research, trust, and the investment division. Especially interesting to the students is their talk with the bank's divisional lending officers regarding the various industries they are considering for their careers.

The Daily Luncheon

One feature of the program is the daily luncheon for the students in the First National's dining room. Different officers of the bank join the group each day to answer questions about the banking system and to discuss the banking business generally. The final day includes remarks by Gaylord A. Freeman, Jr., vice-president, on some of the considerations that enter into choosing a career. He then discusses specifically the banking industry as a source of satisfying employment.

At the conclusion of the sessions, each student is asked to submit a paper to the bank expressing his views on the program, with emphasis on how it can be improved and perfected. Two typical comments from the group who attended in July were: "The sessions presented a

unique and excellent opportunity for us to investigate the intricate workings of a big bank"; and "It was a memorable experience."

Lasting Benefits

The students' association with the bank does not end with the completion of the program. They are welcome to use the bank's library, statistical services, and other facilities for writing term papers, theses, and other research projects.

Expressing the University's point of view on the value of the program, Dean Bosch stated: "Student observations clearly indicate that The First National Bank program is an effective learning experience, both in breadth and depth, for students primarily interested in financing and banking. We are glad that this opportunity is available to interested students."

Bion B. Howard, chairman of the Finance Department, School of Commerce, Northwestern University, says: "This program has been a major contribution to the education of these students. Without doubt this has been the most outstanding, organized, extracurricular activity that students of our graduate division have had an opportunity to participate in. They have all expressed their enthusiasm to Dean Bosch or to me."

Serves Several Purposes

In commenting upon the success of the student training program, Homer J. Livingston, president of The First National Bank and former president of the American Bankers Association, said that it has proved to be an effective technique for a carefully integrated educational program that explains in a dignified yet friendly manner the commercial banking system's place in the center of the nation's commercial and industrial activities. He suggests that it would be a fine thing if banks throughout the country, particularly those in metropolitan centers were to establish closer relations with universities and colleges in their areas. In his opinion, closer cooperation with our educational institutions would enable bankers to discharge their responsibility to help the new generation of businessmen acquire the background and knowledge necessary for leadership.

THOMAS PLANK
The First National Bank of Chicago


DAY AND NIGHT DEPOSIT
PULL OPEN - CLOSE AFTER DEPOSITING
ENVELOPE DEPOSIT
MOSLER

Meet President Cocke

(CONTINUED FROM PAGE 44)

the demand for credit extraordinarily high, an unrestrained expansion of loans could be very harmful in the direction of inflation. While the Federal Reserve has allowed supply and demand to operate and restrict the availability of funds, the banks have a responsibility for the soundness of credit, and caution should be their watchword at present. Tight money is a warning signal, but history has taught that the discount window of the Reserve should never be closed to the short-term needs of commercial banks. Ours is a business, through constructive credit, that is essential to the smooth flow of trade and industry—indeed to the whole economic process."

Bank Capital

"A large part of the increase in bank capital from $9- to $15-billion in the last decade has come from the retention of earnings. More recently banks have been taking advantage of the favorable climate for equity capital to sell new stock to the public and present holders. Capital structures should be strengthened at every opportunity because that is the basis for effective and improving service."

General Business Outlook

"Our high-volume operations of today are healthy because they are based on peacetime factors. They arise from the people's desire for a better standard of living, for a larger selection of goods and services. This has been made possible through a tremendously productive capacity and expanding business structure, coupled with a responsive financial system. Under the circumstances, with the economy operating close to capacity, bankers and monetary authorities must be constantly alert to the danger of inventory speculation."

Agriculture

"While agriculture faces special problems because of a long downward trend in prices, the future can be made a favorable one because American agriculture rests on the solid foundation of an expanding market, better machinery, and more efficient methods and operations being continually developed. Immediate and long-range plans of our farmers could accomplish these results, and the task of the banks, serving farm operations, is to see agriculture through this period of readjustment in every constructive and proper way."

Bankers' Responsibility

"Banking leadership in maintaining stability is not something for conversation. It must be practiced. The policy should be maximum service commensurate with safety for banks and customers. Competitive pressures should never be allowed to force banks into making risky mortgage or instalment loans."

The Future

"The word 'planning' in America has a meaning quite different from that in totalitarian countries. To us it means facing the challenge of the future through research and development as individuals and not by direc-

The Third Atlantan

*W*ITH *full faith and confidence in the ability, efficiency, and experience of Erle Cocke qualifying him to fill the high post of president of the A.B.A., I feel great satisfaction in seeing him, the third Atlantan, to head the national body in its 82 years of illustrious history.*—ROBERT F. MADDOX.

tion from a state bureaucracy. Our planning is based on individual freedom and incentives.

"Given full sway, these forces have brought production, employment, incomes and consumption to an all-time high. The job for bankers is to anticipate what goods and services the public is going to want and then see what banks can properly do to provide them. With the coming of electronic developments throughout the business world, banks must keep pace with new equipment, new services, and new techniques."

Quality of Service

"The first step in merchandising bank services is to offer a quality of service that the public wants. It is not enough to tell the public that banks have valuable services. Banks must prove it by doing a good job.

Leadership

CLARENCE HAVERTY, *board chairman of Haverty Furniture Company, and of the Fulton National Bank, characterized Mr. Cocke as a "man of tremendous energy, animation, and drive."*

"Since Erle Cocke joined the Fulton National in 1938 as a vice-president, the bank's deposits have increased almost sixfold," he said.

He gave Mr. Cocke great credit for his leadership in connection with the Fulton National's expansion to a total of 10 offices in Metropolitan Atlanta, and with much of the negotiation and planning on the new 25-story Main Office building.

Banks have a great opportunity ahead to educate the public about the importance of bank service.

Excellent results have already been achieved through the work of the American Bankers Association, state bankers' associations, other groups, and individual banks, but with the development of new methods of mass communications there are new opportunities and new responsibilities."

Sound Money

"The essential ingredient of sound money is the coordination of monetary policy, debt management, budget, and fiscal operations of the Government. Fortunately the responsible authorities have worked in a spirit of cooperation and coordination for stability.

"These policies have provided the financial foundation on which prosperity and progress could be built."

Sound People

"Banks must be continuously alert to the need for future executives and managers. The competition is great. All businesses are looking for people who have the qualifications for leadership, including the ability to work with others, to get things done, to think problems through, to work hard, and who have initiative, good judgment, adaptability, character, and vision."

Varied Achievements

Erle Cocke's career has given him a background of experience that has proved extremely valuable in the banking field. He was and is a farmer. He was at one time state senator, secretary and treasurer (executive officer) of the Board of Regents of the University System of Georgia, commercial and industrial manufacturer, head of the Atlanta agencies of the RFC and the Commodity Credit Corporation, a financial observer at the Bretton Woods Conference of the World Bank and Monetary Fund, a trustee of the Georgia Baptist Foundation, and active in many public causes, including the Red Cross and Community Chest. He is trustee of the Committee for Economic Development, a director of the Foundation of the Southern Baptist Convention, and a trustee of the Y.W.C.A. He is a director of the Central of Georgia Railway, the American Forestry Association, Henry Grady Hotel, Atlanta Freight Bureau, and Candace Inc. He has served as director and treasurer of the Atlanta Chamber of Commerce.

Mr. Cocke continues active in farming in Terrell County, Georgia, where one of his principal interests is a herd of about 200 white-faced Herefords. He also grows peanuts, grain, and other crops. He is shown here with a part of his peanut harvest. An article in October BANKING described Mr. Cocke's leadership in a campaign of pine-tree planting in Georgia

Through a long period he has served in various capacities in the American Bankers Association. These included the Executive Council, the Government Borrowing Committee, and the Credit Policy Commission, before he was elected vice-president at Chicago last year. He has served in many posts of the Atlanta Clearing House and the Georgia Bankers Associations.

He was born in Lee County, Georgia, in 1895, went to school in Dawson, and graduated from the University of Georgia. His father was a leader in banking, public

(CONTINUED ON PAGE 142)

Best Traditions

To *keep the American economy in high gear, it is my considered opinion that Erle Cocke can be depended upon to apply the best principles of American banking to sound, unthrottled credit policies and development, in keeping with the best traditions of the A.B.A.*—HAYNES MCFADDEN.

Guaranty Trust Company's electronic equipment handles mathematical operations, helps give customers better banking service.

Electronics Speeds Service to Guaranty Customers

One of the pioneering applications of electronics to commercial banking took place last month when the Loan Department of Guaranty Trust Company started processing commercial loans through a new electronic computer capable of doing the work of as many as ten rotary desk calculators.

At month's end, the machine was carrying the major portion of the department's posting work load, making the switch from manual to automated methods with a minimum of procedural revisions and capital costs.

This is not Guaranty's first piece of electronic equipment. The bank's Stock Transfer Division, for example, makes use of electronic calculating units to process dividend checks. The machines calculate checks to be paid to stockholders of companies for which Guaranty acts as transfer agent. Last year these machines processed close to 6,000,000 dividend checks.

Guaranty has long been a leader in the application of mechanical and electronic processes to banking operations. The bank played an important role in the early development and perfection of some of the machines which are widely used by banks today.

Guaranty's mechanical and electronic equipment, plus a constantly expanding program by the bank's Research and Development Department, add up to better service for all the bank's customers.

GUARANTY TRUST COMPANY OF NEW YORK · 140 BROADWAY, NEW YORK 15

Capital Funds in excess of $100,000,000

Fifth Ave. at 44th St., New York 36 · Madison Ave. at 60th St., New York 21
40 Rockefeller Plaza, New York 20 · London · Paris · Brussels

Member Federal Deposit Insurance Corporation

(CONTINUED FROM PAGE 140)

affairs, industrial, and farming enterprises in southwest Georgia. Erle joined the Fulton National in 1938 as vice-president, became executive vice-president in 1942, president in 1945 for 10 years, and in November 1954 became vice-chairman of the board, chairman of the executive committee, and chief executive officer of the bank.

"A Dream Come True"

This is the introductory heading in the bank's latest report to stockholders and refers to the opening of the magnificent new 25-story building in October 1955. Air conditioned throughout, it is the tallest, largest office building in Atlanta. In addition to its architectural beauty inside and outside, it includes all of the most modern banking-efficiency equipment.

Erle is proud of this building and rightly so, but it requires no special powers of perception to see that he is even more proud of his associates in the bank and in the business community. Probably few men in the banking business have so wide a personal acquaintanceship among bankers, public officials, and business leaders throughout the country.

Right now many of them seem to be Atlantans, as witness the roll of guests at a luncheon recently in the Clermont Room of the bank. A picture of this group on page 42 shows also part of the attractive room which is a copy of one on the famous Clermont built by Robert Fulton.

According to the Atlanta Historical Society, the bank was named after the inventor whose steamboat, the Savannah, left the port of Savannah in 1819 for its famous crossing of the Atlantic, the first ocean crossing by any steamboat. As shown in the picture on the cover of this issue, a superb painting of Robert Fulton hangs on the wall of President Cocke's office.

So often, in dealing biographically with the career of a busy man, the family is put over to the last. In Erle's case it should have been first, because that's the way it is with him. The two children of Elise and Erle and three grandchildren occupy a point precisely in the center of the stage. Nothing else begins to compete for attention.

Mrs. Cocke, born at Lowndesboro, Alabama, as Elise Meadows, has a picture in her dining room of the pillared mansion where she lived as a girl. Now that the children are grown, Erle and Elise live in an apartment made unusually attractive with family furniture, pictures, and heirloom china.

Appearances are often deceiving. A woman's thumb may have a man under it.

You can live much longer if you quit everything that makes you want to live longer.

The unlucky man who can't forget his business on vacation is simply doomed to be a success.

A gentleman today is a man who holds the door open so his wife can carry in $25 worth of groceries in two small sacks.

A person's mind may be broad but have no depth.

Forty G.S.B. Theses Gain Library Acceptance

FORTY theses prepared by banker-graduates of the Class of 1955 of The Graduate School of Banking have been accepted for placement in the libraries of the American Bankers Association, of Rutgers University, and the Baker Library of the Harvard Graduate School of Business Administration.

The 40 theses, in abridgments by their authors, will appear in the volume *Present Day Banking 1957,* to be published early next year by BANKING.

Authors; Theses

The 40 authors and their thesis titles are:

William L. Barton, assistant vice-president, East River Savings Bank, New York City; *Progress and Significant Trends in New York State Savings Bank Personnel Administration 1941-1955.*

William Bates, Jr., assistant vice-president, Philadelphia National Bank; *Return Items.*

Robert L. Brockmann, assistant vice-president, First National Bank, Franklin, Pa.; *Administration of a Farm Department in a Country Bank.*

Samuel T. Castleman, vice-president, Wachovia Bank and Trust Company, Charlotte, N. C.; *Financing of Turkey Production by the Urban Bank in the Southeastern United States.*

Amos A. Crellin, examiner, Federal Deposit Insurance Corporation, Washington, D. C.; *Bank Financing of the Iowa Beef Industry.*

Francis H. Dewey, III, vice-president, Mechanics National Bank, Worcester, Mass.; *The Techniques of Monetary Policy, 1948-49, 1953 and 1955; Application and Results.*

Donald L. Fuchs, associate investment officer, Teachers' Insurance and Annuity Association, New York City; *Some Aspects of Financing Defense Production Contractors.*

Walter S. Graulich, assistant vice-president, First National Bank & Trust Company, Paterson, N. J.; *Financing Privately Owned Pleasure Craft.*

Murray Greenburg, assistant to mortgage and real estate officer, Kings County Savings Bank, Brooklyn, N. Y.; *Mortgage Loans by Mutual Savings Banks on Automobile Service Stations.*

Joseph C. Gross, assistant trust officer, Chicago Title and Trust Company, Chicago; *Liability of Trustee for Inheritance Tax of Foreign State.*

Horace H. Harrison, cashier, State-Planters Bank of Commerce & Trusts, Richmond, Va.; *Better Instalment Loan Records through Punch Card Accounting.*

Lewis W. Harrison, vice-president, National Bank and Trust Company, Charlottesville, Va.; *Certain Methods of Building Sound Instalment Loan Volume.*

Aubrey J. Hood, deputy controller, Bowery Savings Bank, New York City; *The Development and Operation of the Single Debit Method of Mortgage Accounting.*

Albert B. Hooke, assistant vice-president, The Community Savings Bank, Rochester, N. Y.; *Growth of Competition for Savings Funds in an Expanding Economy.*

Robert G. Howard, assistant vice-president, Federal Reserve Bank, Richmond, Va.; *Banking on the Future—A Public Relations Approach to Youth through the Schools.*

Walter E. Hyneck, assistant treasurer and assistant secretary, Meriden (Conn.) Savings Bank; *Requisites of an Advertising Program for a Medium-Sized Mutual Savings Bank.*

Wilbur H. Isbell, assistant manager, Federal Reserve Bank, Memphis, Tenn.; *Management Succession in Smaller Banks.*

Elliot G. Kelley, assistant vice-president, Old Colony Trust Company, Boston; *Proxies—Their Acceptance and Use for Corporate Meetings.*

Robert L. Kirk, assistant vice-president, Central-Penn National Bank, Philadelphia; *The Appraisal of Management in Connection with the Extension of Commercial Credit.*

Edward H. Klingler, assistant secretary, Lincoln Rochester Trust Company, Rochester, N. Y.; *The*

Uniform Fiduciaries Act as Applied to Corporate Security Transfers in New York State.

Francis G. Lithgow, branch manager, First National Bank, Boston; *Selling the Attractions of Bank Employment in the New England and New York Areas through Recruitment and Enlightened Public Relations.*

Madison D. McKee, Jr., assistant cashier, First National Exchange Bank, Roanoke, Va.; *Selection and Placement of Bank Personnel.*

William H. McKenzie, cashier, Birmingham (Ala.) Trust National Bank; *Uniform Procedure for Handling as Cash Items Drafts Drawn Under a General Authorization by Bank Customers.*

James H. Montgomery, assistant trust officer, First National Bank, Dallas; *Fiscal Year Trusts.*

Stephen G. Moore, assistant secretary, Howard National Bank & Trust Company, Burlington, Vt.; *The Tools of Industrial Redevelopment.*

William L. Nichols, assistant trust officer, Central National Bank, Richmond, Va.; *The North American Aluminum Industry: Its Evolution and Present Status.*

H. Earl Nutter, assistant cashier, The Merchants National Bank, Leominster, Mass.; *Positive Action to Reduce Hold-up and Burglary Losses.*

Charles T. O'Neill, Jr., assistant secretary, Committee on Federal Legislation, American Bankers Association, Washington, D. C.; *Federal Farmer-Debtor Relief.*

Warren S. Pease, assistant vice-president, First Trust and Deposit Company, Syracuse, N. Y.; *Staff Conference Techniques (Applicable to Medium-Sized Banks).*

Ralph J. Pempel, vice-president, The Chase Manhattan Bank, New York; *Infants.*

Francis G. Pletz, assistant vice-president, Toledo (Ohio) Trust Company; *Canadian Succession Duties as They Affect Estates of American Decedents.*

Dan F. Porter, assistant vice-president, First National City Bank, New York; *The Titanium Metal Industry.*

Andrew Price, Jr., assistant manager, National Bank of Commerce, Seattle; *The Evolution of Bank Holding Companies and the Federal Laws under Which They Operate, 1863-1956.*

William L. Richmond, vice-president, National Bank of Commerce, Memphis, Tenn.; *Industrial Plant Municipal Bond Financing.*

Thomas J. Rohde, assistant secretary, Irving Trust Company, New York; *The Disposition of Stock Distribution—An Unsolved Problem of Trust Administration in New York.*

Francis M. Smith, trust officer, Bank of America N. T. & S. A., Los Angeles; *A Comparison of Charges for Services Similar to Corporate Trust Services.*

Gilbert L. Smith, Jr., trust officer, Central National Bank, Cleveland; *Estate Planning after Death.*

Harry H. Tiedemann, methods engineer in planning department, Federal Reserve Bank, Chicago; *Four Office Duplicating Methods with Selected Applications to Banking Routines.*

Thomas C. J. Whedbee, assistant cashier, First National Bank, Baltimore; *Interim Financing of Real Estate Mortgage Loans.*

Rine G. Winey, Jr., assistant cashier, Watsontown (Pa.) National Bank; *A Study of Motel Financing.*

Safe Deposit Service

Here are brief reports on talks given at the 50th convention of the New York State Safe Deposit Association, held in New York City.

Cost Accounting

EDWARD F. LYLE, senior vice-president and comptroller, City National Bank and Trust Company, Kansas City, Mo., discussing cost accounting methods, outlined several steps in the cost analysis of safe deposit service:

(1) Determine the functions in the operation: renting boxes and canceling contracts; acquisition or advertising cost; customer access; maintenance; storage; supervision and other overhead expense not directly allocable to any of the above five functions.

(2) Allocate all expense for one calendar year to the above classifications.

(3) Distribute the overhead expense to the five principal functions in the same ratio that the total of each bears to the total of the five.

(4) Determine the number of units for each function.

(5) Divide the total cost for each function (including overhead) by the number of units for that function. The quotient is the unit cost.

"A cost analysis of most safe deposit companies will justify an increase of 50% to 100% over prewar rates, but it is always essential to consider the entire operation of an organization when applying costs," said Mr. Lyle. Several alternatives can be considered. Among them are these:

(1) Should we establish a minimum annual rental of $7 to $10 a year for boxes?

(2) Should we establish a minimum of perhaps $5 a year, but charge 60 cents for each entrance after the first five?

(3) Many retail businesses have "loss leaders," which are departments operated at a loss, or specific items priced to sell at a loss with the hope and expectation that the bargain price will attract more people to their establishment and that they will purchase some profit items

during their visit. Some banks regard safe deposit service as being in the nature of a loss leader, but actually the circumstances are not parallel because most of the banks in a city or community will rent boxes at approximately the same rates. If all the banks in a community are offering the same loss leader in the form of safe deposit boxes at $5 or $6 then none of them is accomplishing anything.

"The conclusion is that banks should be fully informed concerning the cost of safe deposit services."

The Vault Attendant

From John A. Elbe, administrative vice-president of The Lincoln Savings Bank of Brooklyn, came this listing of the vault attendant's exacting duties:

"When new keys are issued, deliver only keys that are in sealed envelopes or under dual control.

"Make sure of the identity of every customer.

"Verify every access to make certain the customer has the right of access.

"Use extreme care in handling both the guard key and the customer's key.

"Make sure that the customer's key is always removed from the box and in the customer's possession.

"At all times have the customer go to the vault to remove and replace his box.

"See that the customer uses a booth or room when given access.

"Immediately surrender to the proper person in charge, keys which may come into his possession or property that may be found in or about the vault premises."

Selection and Training

Selection and training of safe deposit personnel were stressed by Martin H. Cole, manager of the safe deposit division at Mellon National Bank and Trust Company, Pittsburgh.

The safe deposit employee should be mature, with sufficient poise to enable him to meet the bank's customers properly, for safe deposit deals directly with principals instead of agents. An executive's secretary may make his deposits and cash checks drawn on his account, but he comes to the vault himself.

"Selection of the right people for work in safe deposit requires considerable screening of applicants," said Mr. Cole. "Safe deposit is not the shelf upon which superannuated personnel may be placed because there is no provision for their retirement."

But selection is only half the job. The people selected require training.

"In the small operation, where the number of daily accesses is too small to justify the full-time assignment of personnel, it is a practice in some banks for anyone to grant routine, normal accesses. If a question about the right of access arises, it is referred to an officer and he makes the decision. If the access appears normal, it is granted without question and not until after the damage is done does the untrained part-time vault attendant realize that it was irregular and loaded with dynamite for the bank.

"In spite of the low income from a small safe deposit facility in a small bank, there is sufficient liability present to justify the attention of responsible, mature, trained personnel. In the larger banks, where there is more safe deposit activity, personnel may be assigned on a full-time basis, but there too, the policy must include a program of education and training."

Another effective method of instruction is use of a manual. Many associations have prepared such publications and some banks prepare their own. The manual can be simply a mimeographed letter, properly subtitled.

Business Builder

The safe deposit function is "a vital and necessary service for the long pull to solidify and build a depositary relationship," said Alfred T. Wilson, vice-president, National Bank of Detroit.

Citing a study that bank had made of six of its safe deposits vaults, Mr. Wilson reported that of the 17,000 rentals, 16,600 (or 97.5%) were to individuals and 400 (2.5%) to businesses.

"These facts make it appear rather obvious why all of our advertising in our vault programs such as 'protect your valuables' is slanted toward the individual," he said.

"There is great value in the safe deposit vault function in the retention and building of banking relationships."

Savings Survey

(CONTINUED FROM PAGE 57)

ceived were at the rate of 32.55% of the deposit liability—up from 29.36% in 1954. The advantage of this increase is somewhat offset by a corresponding increase in the rate of withdrawal transactions.

(4) *Turnover of Deposits* — The turnover of deposits, being the amount of withdrawals as a ratio of the average size of the deposit liability, increased in 1955 to 26.92%, from 25.10% in 1954.

(5) *Withdrawal Ratio* — The amount of withdrawals during the year in relation to the amount of new deposits continues relatively high. It increased to 85.62% in 1955, up from 82.20% in 1954, 82.02% in 1953, and 81.13% in 1952.

The increased withdrawal ratio shows that banks must strive to hold savings deposits once they have been made, and must discourage excessive withdrawals. The withdrawal ratio of savings in commercial banks is 94.02%. In savings and loan associations share redemptions are 64.70%.

(6) *Closed Account Ratio*—The closed account ratio is an improvement over the previous year. While the dollar volume of withdrawals increased in relation to total deposits, the closed account ratio decreased in 1955. The ratio of the number of accounts closed to the number of new accounts opened declined to 84.13%. In 1954 it was 89.25%.

(7) *Interest Rates* — The "effective" interest rate paid on savings in 1955 was 2.67%. This was higher, as would be expected, than the 1954 effective rate of 2.38%, since the interest rate paid was generally higher.

Higher interest rates paid on savings were the general rule. Of the more than 400 that replied, 300 mutual savings banks showed that they were paying interest dividends of 3%, and 25 were paying above 3%.

The majority indicated that: Interest starts from the first of the month following the deposit; a minimum balance is required in order to earn interest; interest does not stop at a predetermined maximum balance.

(8) *Activity Charges*—Few mutual savings banks make any charge for account activity, but a majority impose a charge for issuing checks or money orders.

(9) *Special Purpose Savings Plans* —Most banks provide some form of special purpose savings plan; 367 of 378 banks replying to this question have Christmas Clubs; 228 of 330 banks have Vacation Clubs; and 214 of 341 banks have school savings accounts, 203 banks paying interest on them.

New "Saver's Best Friend" Pieces

ONE of the first official acts of Daniel W. Hogan, Jr., after election to presidency of the A.B.A. Savings and Mortgage Division was to forward to member banks a follow-up on the Association's "Saver's Best Friend" thrift promotional program. Commenting on the original offering (announced on page 46, September BANKING), Mr. Hogan said that already the program has grown into a nationwide movement, adopted by banks in 48 states.

New material included in the follow-up were (1) a Peter Penny folder entitled "Do You Have What It Takes?" — featuring instalment savings; (2) a Peter Penny blotter; and a 4-color decalcomania which has Peter Penny saying that "The Bank Is the Saver's Best Friend." The decal may be affixed to any number of bank documents and direct mail pieces and is also useful as a windshield sticker.

Three folders offered in the original mailing which have received enthusiastic acceptance were reoffered in the second mailing. These include "Controlling Family Finances," "Saving Your Way to Happiness," and "Paying for the New Baby."

Mr. Hogan is president of the City National Bank and Trust Company of Oklahoma City.

An optimist is a person who thinks you can take a nice leisurely drive with the family on Sunday afternoon.

Revocable Trusts

(CONTINUED FROM PAGE 55)

to obtain the estate tax marital deduction as readily as a will. All that is needed is that the trust qualify, as of the date of the decedent's death. Assume that the bulk of the assets are placed in a revocable trust and that the estate owner desires, through use of a formula clause, to obtain the maximum marital deduction, without running the risk of overqualifying property and thereby incurring unnecessary taxes on the subsequent death of his spouse. To achieve this the trust, after making the usual provisions for (1) the retention of the power to alter, amend, or revoke; and (2) the payment of the income in monthly or quarterly instalments to the estate owner, will contain a clause somewhat along the following lines:

After the Grantor's (estate owner's) death, the Trustee shall hold and dispose of the trust estate as follows:

If the Grantor's wife, ..., survives him the Trustee shall, as of the date of the Grantor's death, divide the trust property into two funds, each of which shall be held and administered as a separate and distinct trust.

One fund, to be known as the Marital Deduction Fund, shall be equal in value to (a) one-half of the Grantor's "Adjusted Gross Estate," as finally determined for Federal estate tax purposes, less (b) the value of all interests in property, other than property constituting the trust estate hereunder, which are finally allowed for Federal estate tax purposes as a deduction from the Grantor's Gross Estate for property passing to his wife.

The other fund, to be known as the Non-Marital Deduction Fund, shall be equal in value to the balance of the trust estate.

For the purpose of this paragraph the values of the trust estate and the Grantor's estate shall be those finally determined for Federal estate tax purposes. There shall not be allocated to the Marital Deduction Fund any asset or the proceeds of any asset which would not qualify for the marital deduction allowable in determining the Federal estate tax, and unproductive property shall not be acquired or retained as an asset of this Fund.

The Trustee shall pay the net income from both Funds to the said wife of the Grantor during her life, beginning as of the date of the Grantor's death, at least as often as quarterly.

Upon the death of the Grantor's said wife the Trustee shall distribute the Marital Deduction Fund to such person or persons, including the estate of the Grantor's said wife, upon such conditions and estates, whether absolute or in trust, in such manner as she may appoint by her Last Will and Testament."

There will then follow a default clause and such provisions as may be desired for the distribution of the nonmarital trust.

The suggested clause will qualify for the marital deduction.

The revocable trust may be advantageously used as a will substitute in many cases. It can be so devised that it serves every purpose that a will does and frequently it will be found the more desirable medium for obtaining various testamentary objectives that estate owners desire.

"Pay to the order of"

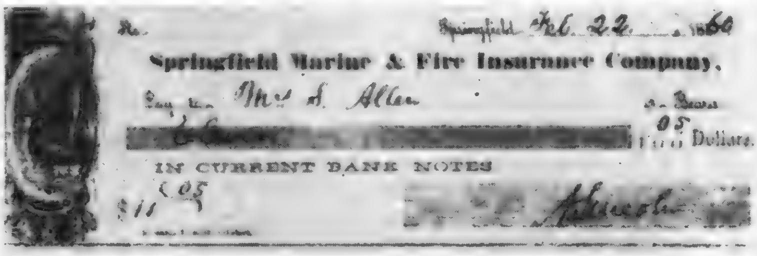
Checks Drawn by U. S. Presidents

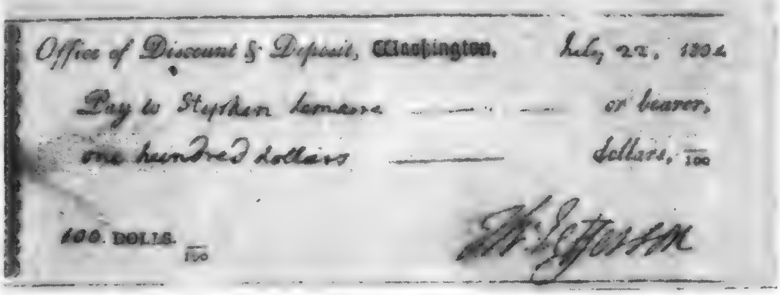
In this Presidential election year interest revives in our earlier White House occupants. Banks throughout the country have been displaying a unique collection of Presidential checks, assembled by King V. Hostick, a dealer in Americana, from Springfield, Ill.

In its October 16 issue *Look* magazine reproduced a number of these checks. They reveal the more personal affairs of our earlier national leaders. There is, for example, a check drawn by Lincoln for $11.05, payable to a neighbor. The check is dated February 22, 1860, five days before he delivered his Cooper Union speech.

Thomas Jefferson's check is the oldest printed check in the Hostick collection, and is dated July 22, 1804. George Washington's check, on the other hand, was written by himself, in the year of his death, 1799. Tradition has it that the check, for $50, was in payment for a silver service.

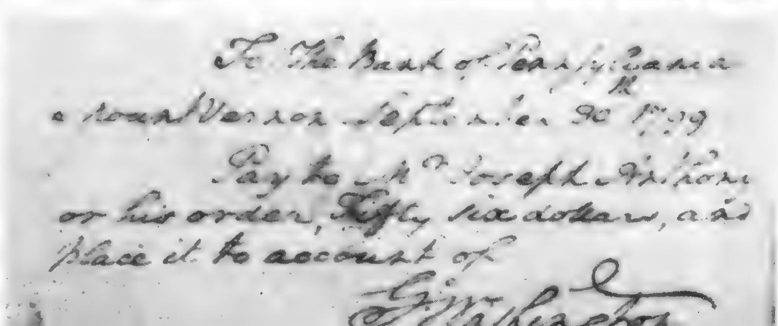
Five days before a major speech, Lincoln was signing a check for a home town neighbor


Springfield Feb. 22 1860
Springfield Marine & Fire Insurance Company,
Pay to Mrs. S. Allen
05 Dollars.
IN CURRENT BANK NOTES
$11 05
A. Lincoln

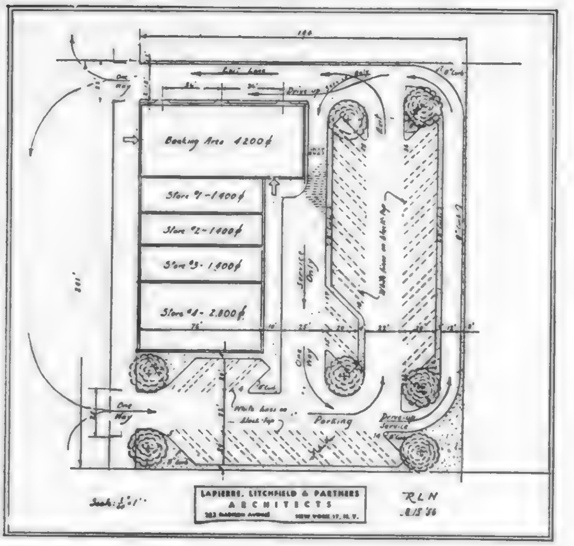

Office of Discount & Deposit, Washington. July 22, 1804
Pay to Stephen Lemaire or bearer,
one hundred dollars Dollars, 100
100. DOLLS.
Th: Jefferson

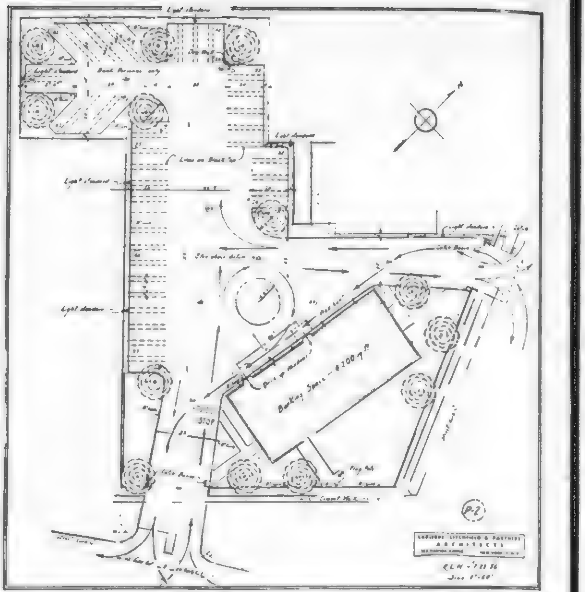
Washington's handwritten check, supposedly in payment for a silver service ↓

↑ **Before 1800 printed checks were unknown. This Jefferson check is earliest printed one in Hostick collection**


To The Bank of Pennsylvania
Mount Vernon September 30 1799
Pay to Mr Joseph Wilson or his order, Fifty six dollars, and place it to account of
Go Washington

Parking Space





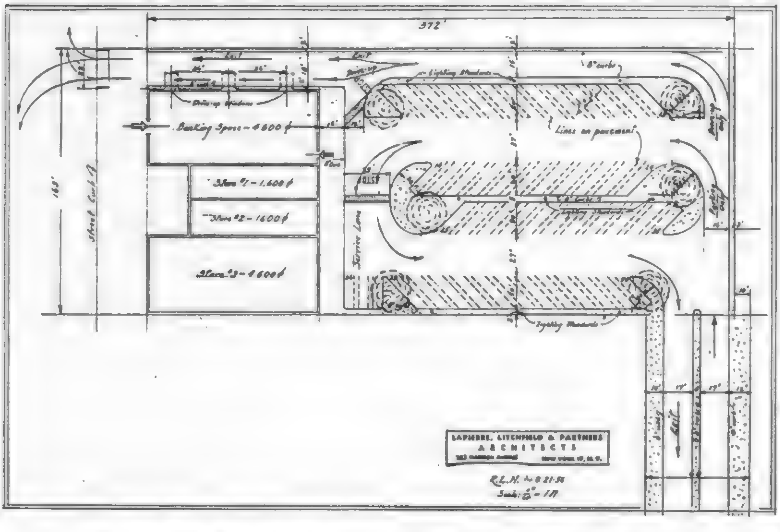


Fig. 4 *(above, left)*—Layout of a parking area on an interior plot, including a site for a bank and four stores

Fig. 5 *(left)* — Layout of a parking area on an interior plot with 60 feet of right-of-way from rear to an adjacent street

Fig. 6 *(above, right)*—Layout of a parking area for the exclusive use of a bank's customers and employees

(CONTINUED FROM PAGE 65)

parking for 38 cars, this layout provides one stall for each 220 sq. ft. of interior space, but the nine stalls in the dead-end "L" will be reserved for the employees of the bank, leaving 29 stalls available to the public.

After an efficient plan has been worked out, the questions of drainage, paving, planting, and lighting should be taken up. Here the practice has been to call in several local contractors; to ask for bids on laying "black top" over the entire parking area; and to give the job to the lowest bidder. Result? Excessive maintenance costs after the first six months because neither the draining nor the paving was properly done, and no thought was given to planting and lighting.

Adequate drainage is important for two reasons: Water should not stand in pools on the surface nor should it be allowed to seep under the edges of the paved area, because either of these conditions will lead to rapid deterioration of the pavement.

And, without an accompanying specification, the designation "black top" is of no value, because in the trade it applies to any one of a dozen different types of asphalt paving, ranging from a costly heavy-duty asphaltic concrete to a cheap "surface treatment."

Assuming that a parking area is primarily for passenger cars, a medium-cost program for drainage, paving, planting, and lighting should meet the following specifications:

(1) The area should be graded at a level about 6″ below the finished surface, and should be given a pitch of at least 1″ in 8 ft. to marginal or interior gutters, spaced not more than 100 ft. apart.

(2) Gutters should empty into catch basins connected with a storm sewer or, if soil conditions permit, with dry wells.

(3) The entire periphery of the parking area, except at the entrance and exit driveways, should be enclosed with a concrete curb, at least 6″ x 20″ in section, with the top 8″ above the finished grade of the gutter.

(4) Never depend on white stripes on the pavement to prevent cars from being parked in areas outside of the marked stalls, but protect

such areas with 8″ curbs, to form "islands," which may be paved with concrete or planted.

(5) Areas between curb and adjoining foundation walls should usually be paved with concrete, but those between curb and open lot lines may be filled with top soil and planted.

(6) Poles for lighting should be so located that the parking stalls will be illuminated to deter pilfering and make identification of cars easy. To facilitate relamping, standards should not be more than 12 ft. high, and they should be spaced about 50 ft. apart.

(7) As to the value of planting trees in areas which cannot be used for parking, one shopping center reports that 19 out of 20 tenants favored the idea, as a means of making the parking lot more attractive to customers. In this field it would seem that bankers should set an example for commercial developers to follow.

(8) When drainage, tree planting, and curbs have been completed, subgrade should be compacted by a 10-ton roller; a 4″ base course of crushed stone or gravel should be laid and rolled to a level 2″ below finished surface. Coarse aggregate should range in size from 2½″ to 1″ and voids be filled with screenings, ½″ maximum size.

(9) Base course should be sprayed with a medium-curing liquid asphalt (Type MC-1) heated to a temperature of about 100°F, about ¾ gallon per sq. yd., provided that the surface of the base course is dry, and that the temperature in the shade is not below 50°F. Area should then be closed to traffic, and a lapse of one day allowed before the upper courses are laid.

(10) Where asphalt plants are available, a relatively inexpensive plant-mixed, cold-laid macadam can be used, consisting of three types of mixes of aggregate and asphalt: coarse, medium and fine. Coarse layer should be spread and rolled to a thickness of about 1½″, followed by the medium mixture, ½″ thick. Compacting should be done with a 10-ton roller. Surface of the medium coarse should be smooth, should conform with the established crown and grade and be free from depressions of more than ¼″, as measured with a 10 ft. straight-edge laid at right angles to the crown.

(11) After any defects have been corrected, top dressing of fine mixture should be evenly spread to fill the surface voids, without forming a separate layer, and rolled.

Although no estimate of cost can be given for such things as grading, drainage, and planting, which vary greatly with local conditions, the following unit prices for paving may be used as a general guide:

	Cost per sq. yd.
(a) Compacting subgrade with 10-ton roller	$0.15
(b) 4″ base course of 1½″ to 1″ broken stone	0.85
(c) Rolling base course	0.15
(d) Asphalt primer; sand cover; 1½″ coarse asphalt layer; rolling; ½″ medium asphalt wearing surface; rolling; top dressing and final rolling	2.25
Total estimated unit price for paving	$3.40

It may, of course, be argued that it is not necessary to spend money on extra curbs or on planting trees and grass plots, but there is wisdom in the old adage: *What's worth doing is worth doing well!*

The bank's parking lot should be "the best in town!"

Statement *of* Ownership

¶ Statement Required by the Act of August 24, 1912, as Amended by the Acts of March 3, 1933, and July 2, 1946 (Title 39, United States Code, Section 233), Showing the Ownership, Management, and Circulation of Banking, Journal of the American Bankers Association, published monthly at Philadelphia, Pennsylvania, for October 1, 1956.

¶ 1. The names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, The American Bankers Association, 12 East 36th St., New York 16, N. Y.; Editor, William R. Kuhns, 12 East 36th St., New York 16, N. Y.; Managing Editor, William P. Bogie, 12 East 36th St., New York 16, N. Y.; Business Manager, Merle E. Selecman, 12 East 36th St., New York 16, N. Y.

¶ 2. The owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 percent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual member, must be given.) The American Bankers Association, 12 East 36th St., New York 16, N. Y. (A voluntary unincorporated association of banks); Fred F. Florence, President, Republic National Bank of Dallas, Texas, Pres.; Merle E. Selecman, 12 East 36th Street, New York 16, N. Y., Executive Manager.

¶ 3. The known bondholders, mortgagees, and other security holders owning or holding 1 percent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

¶ 4. Paragraphs 2 and 3 include, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting; also the statements in the two paragraphs show the affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner.

¶ 5. The average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the 12 months preceding the date shown above was: (This information is required from daily, weekly, semiweekly, and triweekly newspapers only.)

WILLIAM R. KUHNS, *Editor*

¶ Sworn to and subscribed before me this 1st day of October, 1956.
¶ Elizabeth Rautanen, Notary Public, State of New York, No. 31-8503250. Qualified in New York County.

¶ (My commission expires March 30, 1958.)

New Books

Guide to Pension and Profit Sharing Plans under the Internal Revenue Code of 1954. By *Robert S. Holzman.* Farnsworth Publishing Co., New York. 64 pp. $2.50. A revision of the 1953 edition, explaining what the plans are, how they operate, and their advantages for employer and employee.

Mortgage Lending: Fundamentals and Practices. By *Willis R. Bryant.* McGraw Hill, New York. 373 pp. $6.25. This "basic and practical guide to all phases of mortgage lending" is sponsored by the Mortgage Bankers Association of America. Mr. Bryant, vice-president, American Trust Company, San Francisco, and also an instructor at the University of California and the American Institute of Banking, provides in this text information on principles, procedures, legal aspects of the subject, new business development, lending on all types of properties. There are chapters on the VA and FHA programs, loan servicing, sources of funds, and fundamental aspects of mortgage lending.

National Income Accounts and Income Analysis. By *Richard Ruggles* and *Nancy D. Ruggles.* McGraw-Hill, New York. 452 pp. $6.50. Second edition, with substantial changes, of a book first published in 1949.

Business Forecasting in Practice: Principles and Cases. Edited by *Adolph G. Abramson* and *Russell H. Mack.* John Wiley & Sons, New York. 275 pp. $6.50. A study of the detailed methods by which business forecasts are prepared.

The Sterling Area of the Postwar World. By *E. P. Bell.* Oxford University Press, New York. 478 pp. $10.10. An American economist surveys the area's financial mechanism, studying the internal working of the monetary union represented by United Kingdom exchange control. The years covered are 1946-1952.

United States Foreign Policy: 1945-1955. By *William Reitzel, Morton A. Kaplan* and *Constance G.*

(Continued on page 153)

Bottleneck breaker

Here you see "Ad" Schultheis, a PNB officer, casting a constructive eye on a correspondent bank's operations. (At the correspondent bank's invitation, we hasten to add.) "Ad" Schultheis spends much of his time doing just that. So do the other PNB men who make up our "Methods Survey" group.

Their job is to appraise objectively the correspondent's ways of working . . . of using its people and equipment . . . in the light of today's newest banking techniques. They know that what works best for one bank is not necessarily the solution for another—but they are also quick to recognize where a change will result in better work, more efficiently handled.

Their analyses and recommendations, always made on the basis of the correspondent's individual operations, have been valuable to many banks. This is another of the "plus values" of PNB correspondent service. We'd welcome the chance to tell you more about this service.

THE PHILADELPHIA NATIONAL BANK

Organized 1803 • PHILADELPHIA 1, PA.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

(CONTINUED FROM PAGE 154)

Coblenz. The Brookings Institute, Washington, D. C. 535 pp. $4.50. A comprehensive analysis by members of the Brookings staff.

J. K. LASSER'S YOUR INCOME TAX. Simon and Schuster, New York. 218 pp. $1.95. The 20th edition of a popular tax guide.

THE MUTUAL MORTGAGE INSURANCE FUND. By *Ernest M. Fisher* and *Chester Rapkin.* Columbia University Press, New York. 162 pp. $4. A study of the adequacy of the Fund's reserves and resources, the history of the Mutual Mortgage Insurance System, a review of its operating experience, major characteristics of insured mortgages, and the actuarial methods used to calculate the Fund's reserve position. Recommendations for improving the Fund's reserves are offered. "Before we can be confident that the System can stand on its own feet, it may have to be tested by an unfavorable economic environment."

ENCYCLOPEDIA OF BANKING AND FINANCE: SUPPLEMENT TO THE 5TH EDITION. Edited by *F. L. Garcia.* 214 pp. $7.50. The material in the Encyclopedia is brought up to 1955. New terms have been added and additional information given on terms in the 1949 edition. The two volumes make available data on more than 3,500 subjects in banking, money, investments, finance and banking legislation.

THE DELINEATION AND STRUCTURE OF RENTAL HOUSING AREAS: A MILWAUKEE CASE STUDY. By *Herman G. Berkman.* University of Wisconsin, Madison. 144 pp. $1.15. An investigation of city structure in terms of the location of tenants.

J. K. LASSER'S HANDBOOK OF SUCCESSFUL TAX PROCEDURES. Simon and Schuster, Inc., New York. 276 pp. $4.95. A practicable guide to dealings with the Internal Revenue Service on income tax matters. In essence it is a nontechnical discussion of what the average taxpayer needs to know when he has a dispute with the Treasury Department over income tax — information which is not elsewhere readily available to the layman.

CASE NO. 18142

An Authentic Case History From American Express Files

5 p.m., July 14: Mrs. Dennis shopping in Baltimore department store.

5:15 p.m., July 14: Mrs. Dennis discovers loss of pocketbook containing Travelers Cheques.

5:25 p.m., July 14: She returns to store, to find pocketbook gone.

9 a.m., July 15: Mrs. Dennis explains loss and urgent need of funds to American Express office in Baltimore.

10 a.m., July 15: She receives full refund in new Travelers Cheques.

12:00 noon, July 16: Mrs. Dennis boards ocean liner in New York... sails for Greece.

Two days before sailing for Europe, Mrs. Charlotte Dennis* mislaid her pocketbook while doing some last-minute shopping in a Baltimore department store. The pocketbook contained all of Mrs. Dennis' travel funds—$350 in American Express Travelers Cheques which she had purchased at the suggestion of her bank. Upon discovering her loss Mrs. Dennis returned to the store, but the purse could not be found. The next morning she called up the American Express office in Baltimore to report the loss. She explained the situation was urgent, as she was sailing from New York the next day for a three-month trip to Greece. Within an hour, Mrs. Dennis received a full refund of $350 in new American Express Travelers Cheques. She was able to sail on schedule, losing neither time nor money, and her bank had retained the good will of one of its valued customers.

**This name has been substituted for the real name of the person involved.*

This year more and more of your customers will be on the move. Make sure they get the most for *their* money... *American Express Travelers Cheques.*

AMERICAN EXPRESS TRAVELERS CHEQUES

THE WORLD'S NUMBER-ONE MONEY SINCE 1891

BANKING'S ADVERTISERS

November, 1956

provide complete coin handling with.......

speed

accuracy

durability

BRANDT machines

For the best of service to your customers ... a saving of time to you and assurance of absolute accuracy... you should have a complete installation of BRANDT equipment.

Every machine in the BRANDT line is the finest of its type.

MODEL 250

BRANDT AUTOMATIC CASHIER

COIN PAYING MACHINE

Upon the depression of a single key, coins are ejected from the coin magazine and roll on edge quickly and quietly down the delivery chute into the cup from where they are easily removed by the customer. The delivery chute may be placed on either side of the machine and can be supplied in various lengths to suit specific requirements.

MODEL SL

BRANDT

COIN SORTER AND COUNTER

This motor driven machine sorts and counts batches of mixed coins with great speed and deposits them by denomination in receptacles that are readily removable from the machine. The count is recorded by denomination on individual counting dials in terms of dollars and cents.

MODEL 150

BRANDT AUTOMATIC CASHIER

COIN PAYING MACHINE

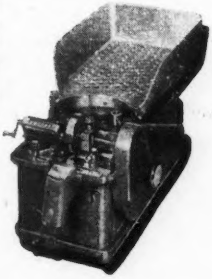
Coins are deposited into a hopper upon the depression of a single key. With slight backward pressure on a trapdoor forming the base of the hopper, coins fall into the operator's hand and are passed by him to the customer.

MODEL CHM

BRANDT

COIN COUNTER AND PACKAGER

Motor driven. Handles all coins from pennies to silver dollars, inclusive. Mechanical improvements make for speedier packaging of coins with less effort. Hand operated machine is also available.



All Brandt machines are finished in a rich tone of gray baked-on enamel.

BRANDT

AUTOMATIC CASHIER COMPANY

Watertown • *Established 1890* • Wisconsin

"Brandt" and "Cashier" registered United States Patent Office and Canadian Trade Marks Office

The OUTLOOK and Condition of Business

(CONTINUED FROM PAGE 37)

credit authorities maintain that they must keep the brakes on inflation partly by means of tight money, while some segments of business are ready to tell the world that progress is being smothered by such measures.

If we examine all available statistics it's hard to find much evidence that the economy is being stifled. A more logical conclusion, perhaps inescapable, is that the speed of business expansion has been too fast for monetary comfort. The authorities are in the position of trailing along perforce, with higher rates reflecting the normal action of supply and demand for credit.

From a popular standpoint the most spectacular result of all this has been the decline and general sluggishness of the stock market. The election may have something to do with it—a normal impulse, in other words, to wait and see. The rising return on bonds has also been a factor, because when bond yields approach those on stocks there's less reason for buying the latter.

Wages and Prices

Prices have been remarkably steady for several years but recently have been moving upward. Wage increases and the power of organized groups to force further rises are undoubtedly big factors in pushing the price index up, although you can talk to 10 different authorities and get 10 different opinions as to their relative importance.

Prices have gone up for steel, automobiles, paper, and many other items. Building costs have risen. Railroads are asking for higher fares, and a boost in oil prices will be hard to escape no matter how the Suez matter turns out.

And Speaking of Suez

In a situation where every suggested solution seems to make confusion worse confounded, the National Foreign Trade Council issued a statement that was a beam of logic and common sense. Probably for that very reason it received little notice, because common sense is usually undiplomatic.

The whole statement cannot be quoted here but it said in part:

"While a sovereign government ordinarily has the power to seize property within its borders, that should not be confused with the right to do so . . .

" 'Precedents' which have been cited for the Suez seizure are Mexico's expropriation of oil properties in 1938, and Iran's taking over Anglo-Iranian in 1951. Each of these actions was unilateral, was a violation of legitimate property rights of foreigners, and raised issues which still remain in dispute. These seizures were not justified under international law, and cannot be justified simply because they were exercises of sovereign power. Neither can the Suez seizure be so justified.

"The action of Egypt differs from those other seizures in being not only a violation of property rights, but a breach of a multilateral treaty by which that nation solemnly agreed to be bound. In diplomatic usage, the violation of a treaty, being an affront to the other signatory governments, may be more serious than the breach of a commitment to private persons or corporations. Both are contracts, and refusal to live up to either is equally unethical. That is the central issue.

"Our interest in maintaining the principle of the sanctity of contract is fundamental. Upon this principle, and upon respect for private property rights, depend not only the whole fabric of the international exchange of goods and services, but the entire complex relationship of nations themselves. Without respect for this sanctity of contract there could be no reliance on agreements made between nations, between nations and individuals and companies, or between private parties—hence no purpose or reason for their being made. International commerce would degenerate into pure barter. Foreign investment would be aborted. Diplomacy itself, as we know it, would be without meaning.

"We should not regard the Suez development as an isolated matter. The deterioration of respect for solemnly undertaken obligations has spread dangerously since the last World War. It seems to be contagious. As we condone each lapse, on grounds of expediency, others will occur. Thus we have now an action involving a breach of contract and a violation of private property rights of tremendous importance. A long established arrangement, critically involving the interests of a number of governments as well as the rights of their nationals, has been violently disturbed. Certainly the resulting controversy has implications so serious that, if it cannot be resolved by peaceful means, a resort to force is conceivable.

"It is right that we as Americans should exhaust the possibilities of peaceful settlement in the Suez Canal case. But let us not ignore our responsibilities as a member of the world community not to compromise the principles of integrity which are essential to world security—sanctity of contract and respect for private property. No area in which these principles are not recognized can be a healthy or useful part of a free world."

Temporarily the economy of the United States might be affected considerably by stoppage of a flow of oil from the Middle East. In the long run, the deficiency could be made up by oil from other areas. New finds in Canada look very promising, but so far it has been cheaper to ship oil from foreign shores to supplement the domestic sources of supply. With the Middle East cut off, new pipelines may be pushed north and assure an adequate supply. Also, Latin American wells would still be available, with no danger of interruption of supply short of war.

The foreign trade picture within the Western bloc looks more and more encouraging. Various groups have discussions going now for the economic integration of all of Europe, which should be of considerable help to the United States. Six countries are already members of the European Coal and Steel Community.

WILLIAM R. KUHNS

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